



Texas Manufacturing Outlook Survey

DALLAS**FED**

February 29, 2016

SPECIAL QUESTIONS

Data were collected Feb. 16–24, and 113 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?			
	Feb. '16 (percent)	Aug. '15 (percent)	Feb. '15 (percent)
Increase	41.6	41.9	38.6
Leave Unchanged	44.2	41.9	43.4
Decrease	14.2	16.3	18.1

2. Are you having problems finding qualified workers when hiring?			
	Feb. '16 (percent)	Aug. '15 (percent)	Feb. '15 (percent)
Yes	66.1	74.4	69.9
No	33.9	25.6	30.1

3. If you are having problems finding qualified workers, what are the main reasons why? Please check all that apply.			
	Feb. '16 (percent)	Aug. '15 (percent)	Feb. '15 (percent)
Lack of technical competencies (hard skills)	82.5	76.9	78.3
Lack of workplace competencies (soft skills)	48.8	52.3	51.7
Looking for more pay than is offered	48.8	35.4	43.3
Lack of experience	38.8	43.1	50.0
Lack of available applicants/no applicants	37.5	36.9	41.7
Inability to pass drug test and/or background check	28.8	32.3	36.7

4. What, if anything, are you doing to recruit and retain employees? Please check all that apply.			
	Feb. '16 (percent)	Aug. '15 (percent)	Feb. '15 (percent)
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	56.0	58.1	54.1
Increase wages and or benefits	46.2	44.6	48.6
Offer additional training	40.7	37.8	40.5
Increase variable pay, including bonuses	35.2	27.0	25.7
Improve working conditions	27.5	21.6	23.0
Reduce education and other requirements for new hires	6.6	12.2	6.8
Other	8.8	13.5	5.4

5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?			
	Feb. '16 (percent)	Aug. '15 (percent)	Feb. '15 (percent)
Yes	27.4	35.7	36.6
No	56.6	52.4	48.8
Not Applicable	15.9	11.9	14.6

SPECIAL QUESTIONS COMMENTS

These comments have been edited for publication.

Chemical Manufacturing

- > The lower oil prices have returned some skilled workers to the local work force. That has helped.
- > Skilled trade labor along the gulf coast remains tight.

Nonmetallic Mineral Product Manufacturing

- > Highway spending in Texas and capital projects in the chemical and refining business will have a positive effect on potential revenue growth for the latter half of 2016. While not reflected in the backlog, there are more projects that will begin to go into production in the second half of the year.

Primary Metals Manufacturing

- > Technical people such as industrial mechanics and instrumentation technicians are the most difficult to find.
- > It seems that less folks want to work in manufacturing jobs these days. We currently bus workers in from Wichita Falls, 45 miles away.
- > All cost increases are passed on to customers sooner or later, whether taxes or labor. If not, business goes broke.

Fabricated Metal Product Manufacturing

- > We are seeing an increase in applicants. However, most of the qualified applicants have been working for much higher rates doing more technical work than our fabrication requires.
- > We have had limited success in passing on the increased cost of labor (which includes health care, administration, etc.), and customers are actually asking for price reductions.
- > We are trying to increase the prices we charge, but that is becoming more and more difficult in the times.
- > It is great that the cost of gas is lower, but it does not translate into much savings for us. Wages continue to rise because of lack of tradesmen. A general malaise in the manufacturing arena is common from a glut of manufacturers from the energy community trying to survive and driving lower costs due to the overavailability of shops looking for work.
- > We are trying to find skilled machinists, and the skill sets required are very scarce, even with the downturn in the marketplace.

Machinery Manufacturing

- > Student debt has tripled over the last seven years. This succeeded in shifting people from the unemployment rolls to school, but failed to produce graduates with STEM (science, technology, engineering and math) skills needed in robotics and manufacturing.
- > I consider technical competencies something learned after college. I have found multiple people who simply don't have the education to do the work provided, even after graduating from the secondary schools. Simple math and coherent sentences seem to be beyond those looking for work.
- > Economic conditions in the oil and gas market are terrible. There is no hiring or capital expenditures; prospects for the next two years are bleak. No coherent energy policy from the federal government is destroying the industry.
- > Obtaining other than a very modest 2 percent annual selling price increase is very difficult. Basic material costs are averaging less than 2 percent; however, employee benefit costs (especially health care with a 30 percent increase) and wage increases are greater than 2 percent, resulting in lower margins.
- > An ongoing challenge for all capital equipment manufacturers is more with their distribution and end-user base having difficulty finding willing and qualified service technician and skilled trades.
- > There are far too many degreed individuals with academic knowledge that is not in demand and lack of actual real life experience for what is in demand, like areas such as general electrical and mechanical combined with technological savvy.

Computer and Electronic Product Manufacturing

- > We generally have challenges finding qualified employees, as we look mainly for electrical engineers including graduate/doctoral level. We have in place substantial efforts for recruiting, internship and rotational programs to attract the best talent. We do not believe this is a short-term problem; we have not intensified our efforts, it has always been intense. There are long-term issues in the U.S. and with immigration so that we cannot look just to the U.S. to fill our needs.

Transportation Equipment Manufacturing

- > Employees can make more from the government than working for us part time. Cash is extremely tight, and the government is too hard on banks that try to help us.

Food Manufacturing

- > Customers will not let us pass labor cost increases along.
- > Turnover and lack of applicants are our biggest human resources challenge in certain regions.

Printing and Related Support Activities

- > If our sales do not pick up, we will be laying off, not recruiting. Our customers are telling us their marketing budgets are being

cut back. If advertising and marketing budgets are cut, that is less print sales, then layoffs.

Furniture and Related Product Manufacturing

- Benefit cost increases (specifically medical insurance) are preventing us from offering higher wages, while still maintaining competitiveness against foreign competition. We will not be able to provide the increase in wages we had hoped, due to medical insurance cost increases. Thus, it is making it even more difficult to recruit needed help.

