A Conversation with David Howard and Dan Howard

Texas Firms Struggling to Fill Job Openings

David Howard and Dan Howard are the president and vice president of Staff Force Personnel Services in Katy, Texas, outside Houston. For 29 years, their firm has provided temporary, direct-hire and light-industrial staffing for employers in Texas' major metros and along the border. The Howards offer insight into the state's labor market.

Q. The Texas unemployment rate reached at least a 40-year low of 3.9 percent in November. Is the labor market as tight as the data suggest?

Dan: The labor market is extremely tight. The supply of workers is not growing as fast as the demand. We have to be more creative than we have been in 15 to 20 years. We are hosting more career fairs, and we have begun extending these past 5 p.m. on weekdays and holding them on weekends. For the first time in 20 years, we are paying referral bonuses.

More companies that usually hire on their own are struggling and coming to us. They are behind on their production and in desperate need of workers. The current environment gives workers with little experience a chance to work their way up; whereas, in the past, they may not have been hired because they did not have enough experience.

David: We have more unskilled job positions open than qualified candidates coming through the door. I see customers being less picky about candidates in terms of backgrounds, qualifications and languages. If someone wants to work in Texas right now, there is a job out there for them.

Q. What labor demand differences do you see among Texas' metro areas?

David: I see firms in every Texas city struggling to fill jobs. However, there are some big differences, particularly between South Texas and Dallas–Fort Worth. South Texas is a lower-wage area where there is a lot of demand, but we tend to have enough workers to fill those openings. In DFW, demand is outstripping the supply of available workers.

Dan: Part of the problem in DFW is big companies coming in, such as Amazon, which hire 1,000–2,000 employees, and they are obviously paying more than companies that have been in DFW for years, so that is absorbing a lot of workers. Every city is different. DFW is also more skilled [job-wise], which is harder to fill. Austin is the high-tech capital with a lot of demand for skilled positions.

Q. What kinds of workers and skills are most in demand? Which industries are struggling the most to find workers?

David: In DFW, we are saturated with orders for logistics and wholesale warehouse workers. Cherry pickers (hydraulic crane operators) and reach order selectors are in high demand, especially in cold/freezer warehouse environments. Forklifts now have sophisticated inventory- and order-picking capabilities, so our drivers must be tech savvy and pull orders quickly without errors.

Across the state, we find that physical warehouse laborers and production/assembly workers are in the highest demand. For most loading, unloading and general warehouse jobs, candidates need to be able to lift at least 25 to 50 pounds all day. For food production jobs, workers must be able to stand on their feet in a cold environment and do repetitive assembly line work for eight to 10-plus hours.

Dan: Our client base is about 75 percent industrial. In this area, the biggest demands are for warehousing, forklift driving and assembly jobs. Then you have the skill and trade jobs such as welders, machinists and pipefitters—those are probably the top six. We also fill clerical positions such as administrative assistants and file clerks, and those are also in strong demand.

Q. Wage growth has generally been mild over the past few years. Are tight labor markets pushing up wages and, if so, for whom?

Dan: Wages have gone up. The increase has not been drastic. We have hundreds of clients in Texas, and only a small number say [they are paying] no increase at all. One firm is keeping its pay at $7.25 an hour, which is unheard of. It represents a significant challenge for us to staff a department at that wage. Most companies have been receptive to pay above the minimum wage and to recent gradual increases. Our average pay is $11.45 an hour, although forklift drivers are getting $15.

We go to a lot of meetings and try to convince clients that they will need to raise wages to attract the workers they need. Many are looking for that happy medium between budget restrictions versus getting the job done. In the past six months, we've had three or four large companies that said, 'OK, we are ready


David Howard (left), Dan Howard (right)

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>
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to raise the wage 25 cents or even a dollar—whatever it requires to get the workers.' But there are also a lot of companies that are constrained by budgets, where their hands are tied.

We have to explain that lost business due to lack of workers can cost profits. Many times firms seem to focus on keeping down labor costs without taking into account the often higher cost of lost production from lack of workers.

David: We have seen few wage gains for unskilled workers, and that is making it extremely difficult to attract the number of workers needed to fill these positions. The more skilled positions, such as forklift operators, machine operators and mechanics, have had pay increases. This is mostly due to OSHA (U.S. Occupational Safety and Health Administration) laws and certifications/testing required for these positions. The candidates must meet these qualifications, and they know they can demand more money for these particular skills.

Q. What kind of wage growth is likely through the end of 2018?

David: Most wage pressures are at the lower-skill jobs, such as the light-industrial general laborers. I think through the end of the year, the economy will be booming. Wages likely will go up further as everyone will be fighting for workers. The expectation of further wage increases is based on the law of supply and demand—demand is increasing fast, and supply is dwindling.

Dan: To fulfill production plans and to get product out the door, I think a pickup in wage growth is coming. Clients are already coming to us and saying that while they have held wages fixed for the past several years, they are now willing to raise them to attract the workers they need. Internally, we have had to increase the amount we pay recruiters.

Q. What are the key factors driving the labor market?

David: The main factor is the strength of the Texas economy, due in part to less regulatory burden and a stronger outlook for many companies. The [federal] tax law passed at the end of last year played an important role in this. During the past year, there have been a lot of companies moving to Texas and looking for workers.

Dan: Production is up tremendously, and companies are spending more money.

Q. How do constraints on immigrants affect efforts to meet labor demand?

David: We use E-Verify (the federal digital employment documentation system) so companies look to us to screen workers to make sure they are in compliance [with immigration laws]. We protect our client from immigration issues, and that has increased the demand for our services as companies have become more concerned about this issue.

Q. How did Hurricane Harvey affect labor demand? How will it change through the year?

David: We don't do construction or renovation/restoration jobs. We have helped our workers whose homes were impacted. As for the industries in which we work, we haven't seen any change in the desire of people to move to Houston and people wanting to move out from Houston.

Dan: As far as our warehouse workers, most of our Houston clients were not severely impacted. Some warehouses got flooded, but they bounced back pretty quickly. We did not notice much impact on demand for industrial and warehousing [jobs]. These workers have different skills than carpenters and construction workers, so the reconstruction effort did not seem to draw workers away. Overall, the Houston economy is booming, and we see continued strong demand.

Q. What is your outlook for the rest of the year?

Dan: We had our best year ever last year, and I think we will beat it this year. There are new companies constantly moving to Texas; while Dallas has been in the spotlight, we see this in Houston, Austin, El Paso, the Valley and throughout the state. One thing driving this is lower-cost land and real estate. People see home prices escalating in Dallas and Austin and think, 'Wow, these are really high prices.' But when you compare them to places in California, they are still a lot less.

David: I don't see any weakness. Optimism is strong, and companies need workers. If a company wants to move operations from California to Texas, it can lower its taxes and work in a better economic climate. Texas is the place to be.