



# Texas Manufacturing Outlook Survey

DALLAS **FED**

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## SPECIAL QUESTIONS

<b>1. Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next six to twelve months?</b>			
	May '14 (percent)	Mar. '12 (percent)	Jan. '11 (percent)
Increase	48.6	56.3	47.7
Leave Unchanged	44.4	37.5	41.9
Decrease	6.9	6.3	10.5
<b>2. Are you having problems finding qualified workers when hiring?</b>			
	May '14 (percent)		
Yes	68.1		
No	31.9		
<b>3. If you are having problems finding qualified workers, what are the main reasons why? Please check all that apply.</b>			
	May '14 (percent)		
Lack of technical competencies (hard skills)	70.6		
Lack of workplace competencies (soft skills)	51.0		
Lack of experience	39.2		
Inability to pass drug test and/or background check	39.2		
Lack of available applicants/no applicants	37.3		
Looking for more pay than is offered	35.3		
<b>4. What, if anything, are you doing to recruit and retain employees? Please check all that apply.</b>			
	May '14 (percent)		
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	54.5		
Offer additional training	47.0		
Increase wages and/or benefits	39.4		
Increase variable pay, including bonuses	28.8		
Improve working conditions	12.1		
Reduce education and other requirements for new hires	9.1		
Other	12.1		
<b>5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?</b>			
	May '14 (percent)		
Yes	31.9		
No	48.6		
Not Applicable	19.4		

NOTE: Data were collected May 5–8, and 72 Texas manufacturers responded to the survey.

## Special Questions Comments

These comments have been edited for publication.

### Fabricated Metal Manufacturing

- > As unemployment decreases there are still good applicants, just at a lower percentage of total applicants.
- > Our problem is not tied to the salaries we offer; it is tied to there being few candidates for our jobs.
- > We have raised our manufacturing employment standards because the employees we are seeking must have the aptitude to work effectively without traditional levels of supervision while possessing strong technical skills.
- > In our manufacturing environment, many of the skilled positions are staffed by older employees who are approaching typical retirement age. It has been difficult to hire trained replacements for these roles due to the limited pool of candidates and strong demand. Perhaps more frustrating is the difficulty attracting young workers to traditional apprenticeship jobs for these roles, despite the strong long-term wage potential (and demand) for these jobs.
- > Competition for our sector of business has not allowed an increase in margins or profit margins.
- > The problem is only going to get worse, and already we are unable to compete with folks outside of the Gulf Coast. In addition, foreign competition is making it extremely difficult to compete for project work.

### Nonmetallic Mineral Product Manufacturing

- > The cost of putting workers on the payroll continues to increase—additional health care costs (Affordable Care Act), minimum wage discussions, National Labor Relations Board rulings, etc. Plus many jobs that we have are for semi-skilled workers who are willing to do manual work. Workers are unwilling to physically work hard and frequently quit after trying it out.
- > There isn't enough legal labor available. The government needs to act fast on immigration reform and allow foreign labor to work here legally (especially from Mexico).
- > We are unable to pass labor costs on to our customers due to competitive pressures. All our prices are fixed cost bids, which have long contractual times.

### Machinery Manufacturing

- > We are only able to partially pass on cost increases, such as labor, to our customers. Our biggest problems with adding factory employees are passing the drug test and then understanding that they need to come to work every day. It often takes two or three hires to find an employee that will be here for the future.

### Computer and Electronic Product Manufacturing

- > The marketplace of blue collar professionals has shrunk considerably. Much of the aerospace manufacturing process consists of "tribal knowledge" that is going away as the older generation retires. Specialized intense training is required, and when people receive the training, they are highly sought after by the large multinational companies. This leaves mid-size manufacturing companies at high risk for training grounds only.
- > Increased labor costs are very difficult to pass through to customers due to competition. As a result, we are heavily focused on productivity improvements, including further investment in automated equipment.

### Electrical Equipment, Appliance, and Component Manufacturing

- > There seems to be a decreased talent pool of executive talent available.

### Chemical Manufacturing

- > The labor market for qualified welders and fitters seems to be very tight. We believe that more high schools should have classes to teach these necessary skills.

### Printing and Related Support Activities

- > We are a medium-sized company serving giants, and they are grinding their supply chain hard. We keep reducing prices, absorbing cost increases such as labor, health care, and materials, and then relying on internal continuous improvement efforts to try to offset the squeeze. Our hope is ratcheting up sales volume to cover fixed costs better at this point and diversifying into new markets.

### Transportation Equipment Manufacturing

- > We are not planning to increase our workforce at this time, but it may become necessary. Production workers are currently working a 56-hour week.
- > Our business competes heavily with foreign manufacturers and is not able to offer price increases with its product line.

### Food Manufacturing

- > The cost of raw milk is very high now, so volume is declining in our industry.
- > Wages are increasing to get employees while commodity prices for our end products have declined most recently.