



# Texas Service Sector Outlook Survey

DALLAS FED

May 28, 2014

## TEXAS SERVICE SECTOR ACTIVITY INCREASES AT A SLOWER PACE

### What's New This Month

For this month's survey, firms were asked supplemental questions on employment expectations and the labor market.

Texas service sector activity continued to reflect expansion in May, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, remained positive but fell from 18.5 to 13.1.

Labor market indicators suggested continued positive but somewhat slower growth. The employment index dipped from 16.4 to 13.8 in May, indicating employment rose at a slower pace than in April. The hours worked index remained positive but ticked down a point to 4.9.

Perceptions of broader economic conditions continued to reflect optimism in May. The general business activity index inched down 1 point to 10.3. The company outlook index was unchanged at 8.7, with 21 percent of respondents reporting that their outlook improved from last month and 12 percent noting it worsened.

Price pressures remained the same, while wage pressures eased this month. The selling prices index was similar to last month at 8, indicating prices rose at the same pace as in April. The wages and benefits index fell slightly from 22.1 to 17, although the great majority of firms continued to note no change in compensation costs.

Respondents' expectations regarding future business conditions continued to reflect optimism in May. The index of future general business activity was unchanged at 24.2. The index of future company outlook held steady at 22.9. Indexes of future service sector activity, such as future revenue and employment, remained in solid positive territory this month.



### RETAIL SALES GROWTH SLOWS

Retail sales increased for the eleventh consecutive month in May, albeit at a slower pace than last month, according to business executives responding to the Texas Retail Outlook Survey. The sales index edged down from 18.3 to 16.4. Inventories rose at the same pace as last month.

Labor market indicators were mixed this month. The employment index remained positive but dropped 10 points to 8.2, indicating retail jobs grew at a slower pace than in April. After spiking last month, the hours worked index plunged into negative territory to -5.4, suggesting shorter workweeks, although the great majority of firms continued to note no change.

Retailers' perceptions of broader economic conditions reflected less optimism in May. The general business activity index remained positive but dipped from 13.5 to 10.7. The company outlook index fell from 14.5 to 11.3, with 21 percent of respondents noting an improved company outlook over the prior month, compared with 10 percent reporting their outlook had worsened.

Retail price pressures increased, while wage pressures eased this month. The selling prices index jumped from 7.5 to a five-month high of 19.6. The wages and benefits index dropped 10 points to 12, although the great majority of firms noted no change in labor costs.

Retailers' perceptions of future broader economic conditions continued to reflect optimism in May. The future general business activity index remained positive but inched down to 25.6. The index of future company outlook ticked up to 29.4. Indexes of future retail sector activity remained in solid positive territory this month.

**The Texas Retail Outlook Survey (TROS) is a component of the TSSOS that uses information only from respondents in the retail and wholesale sectors.**

The Dallas Fed conducts the Texas Service Sector Outlook Survey monthly to obtain a timely assessment of the state's service sector activity. Data were collected May 13–21, and 227 Texas business executives responded to the survey. Firms are asked whether revenue, employment, prices, general business activity and other indicators increased, decreased or remained unchanged over the previous month.

Survey responses are used to calculate an index for each indicator. Each index is calculated by subtracting the percentage of respondents reporting a decrease from the percentage reporting an increase. When the share of firms reporting an increase exceeds the share reporting a decrease, the index will be greater than zero, suggesting the indicator has increased over the prior month. If the share of firms reporting a decrease exceeds the share reporting an increase, the index will be below zero, suggesting the indicator has decreased over the prior month. An index will be zero when the number of firms reporting an increase is equal to the number of firms reporting a decrease. Data have been seasonally adjusted as necessary.

**Next release:** July 1, 2014

## TEXAS SERVICE SECTOR OUTLOOK SURVEY

Business Indicators Relating to Facilities and Products in Texas Current (versus previous month)								
Indicator	May Index	Apr Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	13.1	18.5	-5.4	Increasing	55	29.4	54.3	16.3
Employment	13.8	16.4	-2.6	Increasing	51	19.9	74.0	6.1
Part-time employment	3.4	6.9	-3.5	Increasing	7	8.0	87.4	4.6
Hours worked	4.9	6.0	-1.1	Increasing	4	7.9	89.1	3.0
Wages and benefits	17.0	22.1	-5.1	Increasing	60	18.7	79.6	1.7
Input prices	29.6	25.2	+4.4	Increasing	61	31.0	67.6	1.4
Selling prices	8.0	7.1	+0.9	Increasing	42	12.8	82.4	4.8
Capital expenditures	16.3	15.7	+0.6	Increasing	57	20.7	74.8	4.4
General Business Conditions Current (versus previous month)								
Indicator	May Index	Apr Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	8.7	8.8	-0.1	Improving	33	20.6	67.4	11.9
General business activity	10.3	11.3	-1.0	Improving	31	21.5	67.3	11.2
Business Indicators Relating to Facilities and Products in Texas Future (six months ahead)								
Indicator	May Index	Apr Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	44.7	46.0	-1.3	Increasing	63	53.7	37.3	9.0
Employment	33.5	27.7	+5.8	Increasing	62	38.0	57.5	4.5
Part-time employment	12.0	14.8	-2.8	Increasing	23	16.2	79.6	4.2
Hours worked	9.3	9.5	-0.2	Increasing	6	12.3	84.7	3.0
Wages and benefits	38.7	41.1	-2.4	Increasing	89	40.8	57.1	2.1
Input prices	43.8	44.8	-1.0	Increasing	89	45.2	53.4	1.4
Selling prices	23.4	29.4	-6.0	Increasing	61	29.9	63.6	6.5
Capital expenditures	27.9	28.3	-0.4	Increasing	62	35.0	58.0	7.1
General Business Conditions Future (six months ahead)								
Indicator	May Index	Apr Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	22.9	23.3	-0.4	Improving	33	34.5	53.9	11.6
General business activity	24.2	24.0	+0.2	Improving	32	33.4	57.4	9.2

\* Indicator direction refers to this month's index. If index is positive (negative), indicator is increasing (decreasing) or improving (worsening). If zero, indicator is unchanged.

\*\*Number of months moving in current direction.

Data have been seasonally adjusted as necessary.

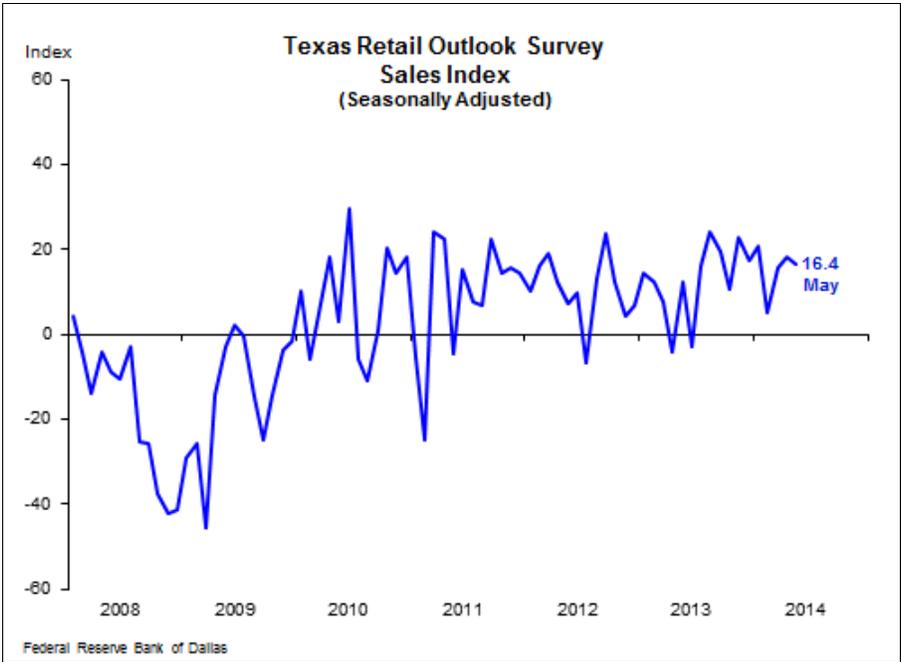
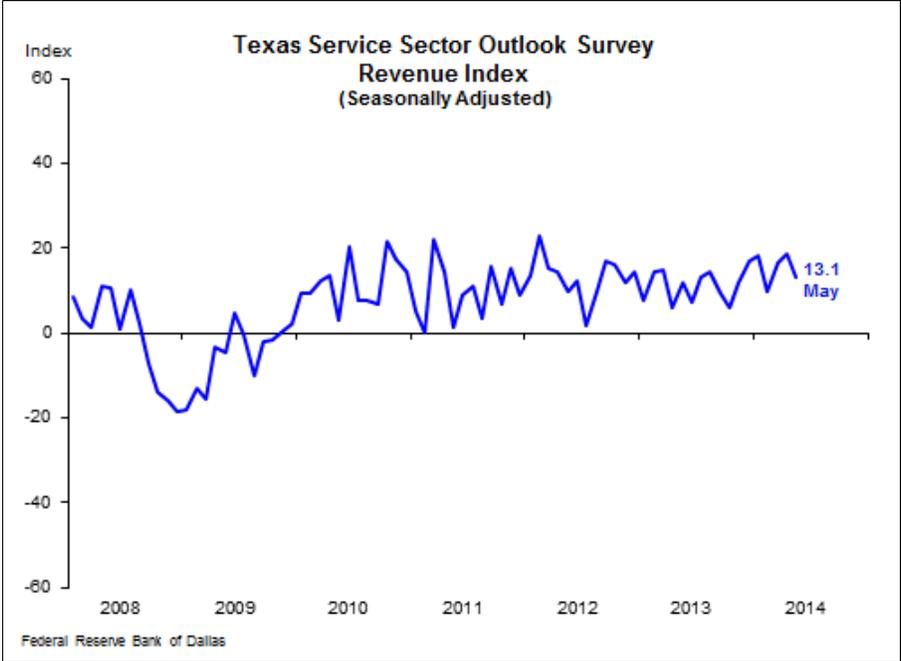
## TEXAS RETAIL OUTLOOK SURVEY

<b>Business Indicators Relating to Facilities and Products in Texas, Retail Current (versus previous month)</b>								
Indicator	May Index	Apr Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Retail Activity in Texas</b>								
Sales	16.4	18.3	-1.9	Increasing	11	33.8	48.8	17.4
Employment	8.2	18.5	-10.3	Increasing	34	16.0	76.2	7.8
Part-time employment	4.1	5.6	-1.5	Increasing	6	8.3	87.5	4.2
Hours worked	-5.4	12.2	-17.6	Decreasing	1	1.4	91.8	6.8
Wages and benefits	12.0	22.0	-10.0	Increasing	39	13.9	84.2	1.9
Input prices	24.8	15.6	+9.2	Increasing	46	25.6	73.6	0.8
Selling prices	19.6	7.5	+12.1	Increasing	22	21.3	77.0	1.7
Capital expenditures	15.7	14.3	+1.4	Increasing	7	19.6	76.5	3.9
Inventories	19.8	20.0	-0.2	Increasing	28	31.1	57.6	11.3
<b>Companywide Retail Activity</b>								
Sales	11.5	29.1	-17.6	Increasing	36	28.0	55.5	16.5
Internet sales	7.9	10.0	-2.1	Increasing	4	15.8	76.3	7.9
Catalog sales	-6.3	2.8	-9.1	Decreasing	1	3.1	87.5	9.4
<b>General Business Conditions, Retail Current (versus previous month)</b>								
Indicator	May Index	Apr Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	11.3	14.5	-3.2	Improving	13	21.2	68.9	9.9
General business activity	10.7	13.5	-2.8	Improving	13	21.7	67.3	11.0
<b>Business Indicators Relating to Facilities and Products in Texas, Retail Future (six months ahead)</b>								
Indicator	May Index	Apr Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Retail Activity in Texas</b>								
Sales	41.2	39.6	+1.6	Increasing	63	49.4	42.5	8.2
Employment	10.9	14.1	-3.2	Increasing	53	19.6	71.6	8.7
Part-time employment	10.2	10.3	-0.1	Increasing	11	14.5	81.2	4.3
Hours worked	11.3	13.4	-2.1	Increasing	26	13.6	84.1	2.3
Wages and benefits	34.2	38.4	-4.2	Increasing	65	36.6	61.0	2.4
Input prices	34.1	40.7	-6.6	Increasing	61	36.2	61.7	2.1
Selling prices	34.8	43.4	-8.6	Increasing	61	37.0	60.9	2.2
Capital expenditures	24.0	22.2	+1.8	Increasing	38	28.3	67.4	4.3
Inventories	15.8	22.7	-6.9	Increasing	54	30.5	54.8	14.7
<b>Companywide Retail Activity</b>								
Sales	37.2	40.6	-3.4	Increasing	62	44.9	47.4	7.7
Internet sales	28.5	21.6	+6.9	Increasing	62	31.4	65.7	2.9
Catalog sales	21.1	11.6	+9.5	Increasing	7	22.5	76.1	1.4
<b>General Business Conditions, Retail Future (six months ahead)</b>								
Indicator	May Index	Apr Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	29.4	27.1	+2.3	Improving	62	35.2	59.0	5.8
General business activity	25.6	27.0	-1.4	Improving	32	35.3	55.0	9.7

\* Indicator direction refers to this month's index. If index is positive (negative), indicator is increasing (decreasing) or improving (worsening). If zero, indicator is unchanged.

\*\*Number of months moving in current direction.

Data have been seasonally adjusted as necessary.



## COMMENTS FROM SURVEY RESPONDENTS

These comments are from respondents' completed surveys and have been edited for publication.

### Credit Intermediation and Related Services

- > The biggest deterrent to the economy in our area is the impact drought has on the country, resulting in huge economic effects on agriculture and the threatening lack of potable water in several metropolitan areas, such as San Antonio, Austin, Midland–Odessa and San Angelo. We did get 1 inch of rain here in the Heart of Texas yesterday, and the temperatures are very pleasant. The energy industry is a big driver in the economy in central, west and south Texas. This exuberant industry is putting a strain on the infrastructure of the areas that have attracted the most laborers as well as on transportation due to the huge increase in traffic.
- > Activity in the Houston market is brisk. Big ticket consumer, home improvement, mortgage and business loans are in demand.

### Publishing Industries (except Internet)

- > We serve the upstream oil and gas industry by providing drilling data. Our served market is strong and stable. Our growth in revenue, employment and investment is driven by new products and larger market share as much as by increases in overall demand.

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

- > We are unsure about the federal tax situation that affects capital expenditures that previously were expensed against revenue. Domestic drilling in shale is soft, based on current prices. New regulations keep coming from all directions. Business is soft.

### Professional, Scientific and Technical Services

- > Suddenly, sentiment has changed from optimistic to cautious. We are not sure why, other than health care costs and continued government overregulation wearing people down.
- > Everyone wants a raise, but they do not seem to be leaving for higher paying jobs. We just don't think there are a lot of better jobs out there.
- > DFW is still the place to be if you are in the real estate business. Our numbers, both residentially and commercially, continue to improve in 2014. We have remained cautious about hiring and capital expenditures due to two major factors. We are concerned that Texas and a few other markets are the only markets that seem to be thriving. We still have way too many people unemployed, but if other parts of the country begin showing signs of recovery, we feel hiring and capital expenditures will increase dramatically. The other major factor, of course, is interest rates. We know they are going to rise at some point, and if they rise too quickly, it could slow down the recovery significantly.
- > The existing positive outlook for our company is anticipated to remain strong through the end of year.
- > We have seven positions open at the moment and not a lot of candidates. We are working hard and looking elsewhere for qualified people. We'll add 15 interns in June. Business attitudes are positive.

### Management of Companies and Enterprises

- > Too much government regulation is hurting our ability to help our customers.
- > Regulatory and compliance issues in this country are choking any thoughts of a recovery.

### Administrative and Support Services

- > Demand for full-time employees in DFW has been stronger in the last three months than in the previous several years. Contract employee demand continues to be below 2009–13.
- > We have seen a general pickup of activity. It is very difficult to hire people. The applicants are unskilled.
- > Worries continue about the long-term impact of the Affordable Care Act.
- > We see good potential business activity, but there is currently no flexibility in pricing.

### Hospitals

- > May has seen a decrease over a very impressive April. Costs continue to rise as regulation pressures continue to increase. Requirements for "meaningful use" are taking a ton of resources, both financial and people.

### Food Services and Drinking Places

- > We took a small price increase in April to offset high cheese prices. We don't anticipate another price change until 2015.

### Merchant Wholesalers, Durable Goods

- > Changes are seasonal.

### Motor Vehicle and Parts Dealers

- > The overall industry we are a part of is growing. We are not participating due to a manufacturer issue. We see the outlook as great.
- > Business is back to 2006 levels. Demand is strong, and financing at attractive rates is readily available.

### Food and Beverage Stores

- > The economy is getting better slowly, with no inflation, but we need immigration reform, and it is hard to find employees. We face intense retail competition. It is hard to grow same-store sales.

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Questions regarding the Texas Service Sector Outlook Survey can be addressed to Amy Jordan at [amy.jordan@dal.frb.org](mailto:amy.jordan@dal.frb.org). The Texas Service Sector Outlook Survey can be found online at [www.dallasfed.org/microsites/research/surveys/tssos/](http://www.dallasfed.org/microsites/research/surveys/tssos/).

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# Texas Service Sector Outlook Survey

DALLAS **FED**

May 28, 2014

## 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	43.1	49.0	47.7
Leave Unchanged	47.9	40.7	44.4
Decrease	9.0	10.3	7.9

<b>2. Are you having problems finding qualified workers when hiring?</b>	
	May '14 (percent)
Yes	71.4
No	28.6

<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)	55.9
Lack of available applicants/no applicants	46.5
Lack of experience	44.9
Lack of workplace competencies (soft skills)	44.1
Looking for more pay than is offered	37.8
Inability to pass drug test and/or background check	29.1

<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.	58.0
Increase wages and or benefits	47.3
Offer additional training	39.3
Increase variable pay, including bonuses	34.0
Improve working conditions	16.7
Reduce education and other requirements for new hires	6.7
Other	13.3

<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	41.8
No	43.0
Not Applicable	15.2

## TEXAS RETAIL OUTLOOK SURVEY

1. Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next six to twelve months?			
	May '14 (percent)	Mar. '12 (percent)	Jan. '11 (percent)
Increase	47.5	50.9	49.2
Leave Unchanged	50.0	43.9	44.4
Decrease	2.5	5.3	6.3

2. Are you having problems finding qualified workers when hiring?	
	May '14 (percent)
Yes	82.5
No	17.5

3. If you are having problems finding qualified workers, what are the main reasons why? Please check all that apply.	
	May '14 (percent)
Lack of workplace competencies (soft skills)	55.9
Lack of experience	52.9
Lack of technical competencies (hard skills)	50.0
Lack of available applicants/no applicants	50.0
Inability to pass drug test and/or background check	47.1
Looking for more pay than is offered	35.3

4. What, if anything, are you doing to recruit and retain employees? Please check all that apply.	
	May '14 (percent)
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	70.0
Increase wages and or benefits	50.0
Increase variable pay, including bonuses	42.5
Offer additional training	40.0
Improve working conditions	17.5
Reduce education and other requirements for new hires	12.5
Other	5.0

5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?	
	May '14 (percent)
Yes	51.3
No	41.0
Not Applicable	7.7

NOTE: Data were collected May 5–8, and 168 Texas business executives responded to the survey.

### SPECIAL QUESTIONS COMMENTS

These comments have been edited for publication.

#### Truck Transportation

- > What we are seeing appears to be the normal tightening of a labor market pursuant to a postrecession business upsurge. With a graduating college daughter, I am pleased to see graduate hiring "up" and the graduates holding to their compensation expectations.

#### Support Activities for Transportation

- > We can pass costs on to customers as possible, but it is not always possible to do so.

#### Publishing Industries (except Internet)

- > We are located in a small, rural Texas market. We are experiencing significant difficulties recruiting our skilled positions. Recent college graduates appear unwilling to relocate here, preferring to live and work in large, metro areas. Compensation does not appear to be the key issue; lifestyle issues loom large.

## Broadcasting (except Internet)

- > We are most challenged in finding workers at the \$10 per hour wage level and below. The "boom" in West Texas is making it harder to find qualified workers for that wage.

## Credit Intermediation and Related Activities

- > Rural markets are difficult to attract prospects unless they want to come back home. The employee pool in a small community is very shallow when it comes to education, generally a high school degree, so even offering continued education does not usually appeal to that class of employee. It is easier to hire someone in a metro area, pay the going rate and develop business in those markets. The problem in our size of bank is succession, unless you have kids who want to come back home.
- > Even though overhead costs are slowly increasing, competitive pressures restrict the ability to increase income. Compression of the interest rate margin continues.
- > Any reasonable employer is always concerned with its staff.
- > We are in a good spot right now to compete for quality skills on new hires. Some of the large banks have been downsizing and that has been a great source, plus we have a really good culture with exceptional benefits, so that helps as well.
- > Our major issue is the unknown for new banking regulations and how examiners will enforce them.

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

- > We pass on increased costs, if possible. Our industrial service business is very competitive. Right now, the availability of expensing equipment used in the manufacturing process against revenue, up to \$500 million, under Section 179 of the U.S. Internal Revenue Code has not been renewed. This situation also applies to Section 166 and to bonus depreciation. This amounts to a very, very significant increase in federal income taxes. We are holding off on several capital equipment expenditures, which holds up hiring of additional personnel. These situations are extremely negative for business expansion and hiring additional personnel. Health insurance, U.S. Department of Energy offshore regulations, and additional Environmental Protection Agency regulations are also taking their toll on the business.

## Insurance Carriers and Related Activities

- > In the short term, increased labor costs won't necessarily impact insurance product pricing. Underwriting results will have a more significant impact. Over time it does factor into the price of the product.
- > We are an office and clerical, so our issue is finding prospects with people skills and ideally some prior training in insurance.

## Real Estate

- > Most of our personnel are independent contractors (real estate licensees). We've had no turnover in nearly ten years, so we're not up to speed on the quality of current job seekers.

## Rental and Leasing Services

- > In Texas we have a number of oil shale plays that are both a blessing and a curse. The curse is that oil companies can offer, literally, two or three times what we pay, which is the top of our industry. They will take someone that the government would not even pay \$10 per hour and pay them \$35 per hour. We believe that boom will bust, and then all those people who could have been building a career with us will be back out on the street. Yes, we pass some of our increased costs from government regulatory burdens and increased wages onto the customer, but you cannot pass anywhere near all of it along. So no, we eat most of it and dissipate the equity and capital in the company we use to build and grow the company and hire more people.

## Professional, Scientific, and Technical Services

- > We have some lower skilled positions we are phasing out. We need better qualified workers who can do more, reducing our overall headcount. Sometimes compensation expectations are out of line with what the market will bear.
- > Most of our employees are grumbling about low pay. However, none have left for better pay. Even in Houston where things are booming we don't think there are a lot of better paying jobs out there. The only workers who seem to be mobile are the younger ones, but they will leave for \$.50 more per hour. If the minimum wage is raised, all bets are off.
- > We have a three person human resources group. One person is a full-time recruiter who maintains a sizable database of potential applicants. When a need arises we have been able to fill spots for experienced people who have contacted us previously. We fill most of our entry-level professional positions with new graduates who have gone through our large internship program. We can get the "pick of the litter" this way. The problem we have is that other, smaller competitors have been luring away some of these graduates after 18 to 24 months with a sizable salary increase.

## Administrative and Support Services

- > The Texas Back to Work program of the Texas Workforce Commission is a great help in filling open positions.
- > We are an IT contract staffing firm of 250 people on average, working in clients' offices. We of course have full time recruiters, use many social media tools, referrals, referral fees, user groups and job boards. There is definitely a shortage of qualified IT people in the higher skill positions.
- > For the first time in nearly four years, we are forced to start raising consumer pricing. The cost of being an employer continues to rise.
- > The current market is still inflexible on pricing service work. Customers are mixed on their ability to pass on price increases, and their budgets are not growing for service work.

## Ambulatory Health Care Services

- > Because outpatient imaging is a deflationary business with constant decreased reimbursement, wages are stagnant. We cannot afford to pay our employees more at this time and anticipate worsening cash flow in the future. We have seen strong employees leaving for hospital system employment because of better employee benefit programs.
- > As a medical group we are bound by private contracts and Medicare fee schedules, so we cannot pass along increased costs. We must look for more efficiency.

## Hospitals

- > Our ability to pass along increased costs is very limited due to long-term reimbursement contracts and heavy dependency on fixed rates established by governmental payers.

## Nursing and Residential Care Facilities

- > Workforce challenges in health care are growing, partly as a result of the continuing financial pressure associated with implementation of the Affordable Care Act (reduced reimbursement, higher regulatory costs, no pricing flexibility), and partly as a result of an aging workforce with fewer young workers available to replace those who retire or reduce hours.

## Social Assistance

- > We are concerned that we may need to downsize if the federal minimum wage increases at the rate being proposed.

## Food Services and Drinking Places

- > We can't raise prices to cover the additional cost of labor, and government regulations are driving away any incentive to expand our business.
- > We answered yes to passing on increased labor costs to customers because we definitely factor wage and benefit increases into our calculations for price increases. However, wage increases have been quite modest up to this point, so they have not been a big factor in recent price increases. Benefits and the cost of goods have driven a far higher portion of our price increases. If wages do start to track up more sharply, we will definitely pass the cost on.

## Merchant Wholesalers, Durable Goods

- > Our payroll pressure increased with talk of minimum wage rate increase. We pay more than the proposed increase, but the impact was felt in wage discussions with current employees.
- > For entry-level jobs we are competing with too many benefits in not working. Child support avoidance creates job turnover also. All areas need more skill training, not higher education.
- > We feel that we need new immigration laws and enforcement.

## Motor Vehicle and Parts Dealers

- > Many of our applicants are not willing to work nights or Saturdays. We had one applicant say he was just looking around and still had 3 months of unemployment benefits left.
- > In the competitive retail environment today, we find it virtually impossible to pass increased labor costs on to the consumer.
- > Employees for entry-level positions are difficult to find and when we do, they often don't last long because they are lazy, don't understand they can't take off whenever they like and they want a promotion without putting in the time and effort to learn the current position sufficiently to justify a promotion. Available "experienced" employee applicants typically interview well, but do not perform up to the level they said they were capable of during the interview. For the most part, it appears the good employees have a job, and those that are looking for a job are lacking in ability and desire.
- > Schooling simply does not prepare students with anywhere near the technical knowledge they must have to be able to do the job. We need more, better vocational schools to prepare students for today's job requirements. We spend time and money training the employee and often lose him to oil companies who can afford to pay more than the market rate.

## Food and Beverage Stores

- > Wage inflation has actually slowed down for our company in 2014 versus 2013.

## General Merchandise Stores

- > We have been able to hire qualified associates; however, we are working harder (and/or taking longer) to hire qualified associates, primarily in IT and finance.

