



Texas Service Sector Outlook Survey

DALLASFED

November 24, 2014

SPECIAL QUESTIONS

Data were collected Nov. 3–6, and 179 Texas business executives 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?			
	Mar. '12 (percent)	May '14 (percent)	Nov. '14 (percent)
Increase	49.0	43.1	48.6
Leave Unchanged	40.7	47.9	46.4
Decrease	10.3	9.0	5.0

2. Are you having problems finding qualified workers when hiring?		
	May '14 (percent)	Nov. '14 (percent)
Yes	71.4	71.9
No	28.6	28.1

3. If you are having problems finding qualified workers, what are the main reasons why? Please check all that apply.		
	May '14 (percent)	Nov. '14 (percent)
Lack of available applicants/no applicants	46.5	52.7
Lack of technical competencies (hard skills)	55.9	50.4
Looking for more pay than is offered	37.8	39.7
Lack of workplace competencies (soft skills)	44.1	38.9
Lack of experience	44.9	37.4
Inability to pass drug test and/or background check	29.1	22.9

4. What, if anything, are you doing to recruit and retain employees? Please check all that apply.		
	May '14 (percent)	Nov. '14 (percent)
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	58.0	64.7
Increase wages and or benefits	47.3	52.6
Offer additional training	39.3	39.7
Increase variable pay, including bonuses	34.0	36.5
Improve working conditions	16.7	24.4
Reduce education and other requirements for new hires	6.7	5.1
Other	13.3	5.8

5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?		
	May '14 (percent)	Nov. '14 (percent)
Yes	41.8	34.3
No	43.0	52.2
Not Applicable	15.2	13.5

SPECIAL QUESTIONS COMMENTS

These comments have been edited for publication.

Credit Intermediation and Related Activities

- > The most recent trend that we have seen is a notable increase in applicants in our rural market. This is the most qualified applicant pool we have had to consider going back at least five years. It will be interesting to ask the ones we hired what the key factor was in their decision to come to work here.
- > We always have endeavored to retain qualified staff. Over the past couple decades, this has meant minimizing debt so that in downturns we can retain our staff and continue development. We are a small company and 18 percent of our staff has been with us about 20 years.

Publishing Industries (except Internet)

- > Our health care insurance costs per employee continue to go up every year. In addition, brokers selling us insurance are struggling to keep up with changes in the health care law and implementation. This uncertainty is a major drag on our business, especially for planning and hiring.

Telecommunications

- > In the Houston market, the economy is doing well, but finding qualified technicians is driving our hiring and compensation costs higher than expected.

Rental and Leasing Services

- > The Texas oil fields are obviously a blessing, but it is also a curse as that industry has no ceiling on what they can and will pay prospective employees. Most businesses do not enjoy that business latitude. In Texas, finding and keeping good people is our greatest challenge.

Professional, Scientific and Technical Services

- > We are able to acquire talent and are paying for those hires. We do not want to relax our requirements as that could impact the quality of service we deliver.
- > To be awarded most of our work, our proposed fees must be competitive in the marketplace; therefore we are not always able to pass along employment and other cost increases. We are able to more directly pass on these costs on noncompetitive proposals and on hourly fee projects.

Management of Companies and Enterprises

- > Because of regulations and associated compliance costs, we have had to significantly increase the cost to the consumer. The cost of generating a note document, from the annual maintenance fee to the software provider on loan forms, runs around \$135 per loan. We have added a cost of \$50 per consumer loan and \$250 per commercial loan. To comply with loan requirements, we must do additional analysis not previously required on virtually every commercial loan over \$250,000. Compliance is now running our bank, versus safety and soundness.
- > Retaining employees is difficult due to Dodd–Frank compliance in terms of offering bonuses.

Administrative and Support Services

- > We are expanding by adding new territories to our service area. Cost increases, such as labor, have been difficult to pass along due to competition, but we continue to work to elevate our prices. There has been margin erosion as a result of the cost increases in both labor and product.
- > We are unable to pass on additional costs because most of our revenues come from insurance reimbursements.
- > The biggest labor cost increase that we have ever faced is the Affordable Care Act, including the administrative burden and risks associated with complying with a law that is so complex and not well understood. It is hard to pass along the cost of an unknown risk.
- > We are unable to pass any additional costs on to our clients—given our fixed rate contractual relationships—making the increased costs of talent a reduction in our profitability. There is no room for margin expansion in our business, only contraction.

Ambulatory Health Care Services

- > Since we are medical services providers, we cannot pass along cost increases, like labor, as contracts do not allow it. Most contracts are tied to Medicare, so reimbursement is still dropping while costs go up.

Hospitals

- > Our ability to pass along cost increases to customers is very limited due to long-term contracts and governmental payers, but we do so wherever we can.

Food Services and Drinking Places

- > We are in the restaurant industry so we are not yet experiencing a significant tightening in the labor market. We do expect to start having trouble hiring quality applicants in the near future. In the last year, we have greatly increased the training we offer our management staff, both to help improve company results and to help them in their own careers by developing the managerial skills needed to succeed. We have also reviewed and updated our hourly training methods and materials, although we have not specifically expanded the scope of training offered at the hourly level. Both of these actions have been taken simply as the result of a decision that they would be good for the company and the employees, not in response to tightening labor market conditions.

Pipeline Transportation

- > Shortage of talent is a chronic situation in the oil and gas industry and for certain classifications, such as engineering, and experience levels, i.e., 15 to 20 years. The lack of candidates is severe.



Texas Retail Outlook Survey

DALLAS FED

November 24, 2014

SPECIAL QUESTIONS

Data were collected Nov. 3–6, and 47 Texas retailers 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?			
	Mar. '12 (percent)	May '14 (percent)	Nov. '14 (percent)
Increase	50.9	47.5	42.6
Leave Unchanged	43.9	50.0	51.1
Decrease	5.3	2.5	6.4

2. Are you having problems finding qualified workers when hiring?			
	May '14 (percent)	Nov. '14 (percent)	
Yes	82.5	82.6	
No	17.5	17.4	

3. If you are having problems finding qualified workers, what are the main reasons why? Please check all that apply.			
	May '14 (percent)	Nov. '14 (percent)	
Lack of technical competencies (hard skills)	50.0	57.5	
Lack of workplace competencies (soft skills)	55.9	50.0	
Lack of available applicants/no applicants	50.0	45.0	
Looking for more pay than is offered	35.3	37.5	
Inability to pass drug test and/or background check	47.1	35.0	
Lack of experience	52.9	27.5	

4. What, if anything, are you doing to recruit and retain employees? Please check all that apply.			
	May '14 (percent)	Nov. '14 (percent)	
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	70.0	79.1	
Increase wages and or benefits	50.0	46.5	
Increase variable pay, including bonuses	42.5	41.9	
Offer additional training	40.0	41.9	
Improve working conditions	17.5	20.9	
Reduce education and other requirements for new hires	12.5	7.0	
Other	5.0	4.7	

5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?			
	May '14 (percent)	Nov. '14 (percent)	
Yes	51.3	25.5	
No	41.0	63.8	
Not Applicable	7.7	10.6	

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Merchant Wholesalers, Durable Goods

- > Price increases have been hard to pass on. The Texas construction market is continuing to improve. However, we saw a flatter market than what was projected earlier in the year. We beefed up employee head count and inventory for this projected growth, and even though it has not come to fruition, we took the profit hit this year and will see better results in 2015.
- > The oil and gas fields are our major competitors, offering tremendous pay packages.
- > We have not introduced wage increases into pricing yet. We will do so when we feel the market will accept increases.

Motor Vehicle and Parts Dealers

- > Basically we are unable to compete with the oil industry on service personnel. We have to resell our tech time. This is a growing problem.
- > One of our operations is in major jeopardy due to minimum wage planned increases in the next two years.

Building Material and Garden Equipment and Supplies Dealers

- > All of our hiring plans depend on the elections. If Republicans control the Senate, we will hire more.

Food and Beverage Stores

- > We are experiencing localized hiring pressures in the Permian Basin, Eagle Ford and Houston areas. Otherwise, labor is manageable.

Nonstore Retailers

- > Since most of our hiring is for vending route drivers, we can't lower our requirements related to driving records or drug screening. Also, since these positions handle a lot of cash, we will not lower standards on our background checks for certain criminal activity. We are able to temporarily draw upon assistant managers and supervisors to fill open route positions until we ultimately find someone suited to the position.

