

# Supplemental Survey Report

## Two in Five Service Sector Businesses Making Adjustments for New Overtime Rules

Supplementary questions in the November 2016 *Empire State Manufacturing Survey* and *Business Leaders Survey* focused on expected changes in firms' workforces and the factors underlying the changes. Most of the questions had been asked in surveys conducted in November 2015 and earlier, but new questions concerning upcoming changes to overtime rules were added in 2016.

In the current survey, 30 percent of manufacturers and 44 percent of service firms said that they expected their workforce to increase over the next twelve months; 17 percent and 19 percent, respectively, predicted declines in the total number of workers. These balances are slightly less positive, overall, than in the November 2015 surveys (see chart).

When respondents anticipating increases in employment were asked to rank the factors underlying their decisions, the results were not substantially different from those in earlier surveys: high expected sales growth was still the factor most widely ranked as first in importance—by 72 percent of the manufacturers and 58 percent of

the service sector respondents that expected to ramp up employment. The next most widely cited factors, in both the manufacturing and service sector surveys, were an overworked staff and a need for skills not possessed by current staff. These results are again similar to those in last November's survey.

Queried about factors restraining hiring plans, just over one in four respondents in both surveys reported no sources of restraint; this was a higher figure for manufacturers than in the 2015 survey. Among firms that did indicate some source(s) of restraint, low expected sales growth was deemed the most important factor—as was the case in earlier surveys. An inability to find workers with required skills was fairly widely cited, though slightly less so than in last year's survey. A desire to keep operating costs low was considered a somewhat important factor among service sector respondents.

When asked how they were using wages and salaries to retain existing workers, 24 percent of manufacturers and 20 percent of service sector respondents said that they were increasing wages and salaries for most job categories

by more than they had over the past few years. Both shares of respondents are about 6 percentage points higher than in last year's surveys.

Respondents were also queried about upcoming changes in overtime rules. Twenty-three percent of manufacturers and 31 percent of service sector respondents said that they employed at least some workers who would be newly eligible for overtime as of December 1. Among manufacturers with at least some eligible workers, the median number of such workers was five (6 percent of the workforce); among corresponding service firms, the median was eight (7.5 percent of the workforce). Finally, when asked how they would respond to the new overtime rules, roughly 70 percent of manufacturers and 60 percent of service firms said they would be making no adjustments. Most of the rest said that they would be raising salaries for some newly eligible workers above the new threshold and/or reducing hours for some newly eligible employees to forty hours or less. Other responses included moving some workers from salaried to hourly status, and deciding on a case-by-case basis. ■

## Supplemental Survey Report, *continued*

### QUESTION 1

For each category, please indicate the number of employees you have currently.

	Empire State Manufacturing Survey				Business Leaders Survey			
	Percentage of Respondents				Percentage of Respondents			
	November 2016	November 2015	November 2014	January 2014	November 2016	November 2015	November 2014	January 2014
Under 100	64.2	54.6	60.4	45.6	55.0	51.1	43.2	33.6
100 to 150	11.9	17.6	14.3	15.2	11.3	7.6	7.6	12.1
150 to 200	5.5	11.1	7.7	11.4	7.3	8.4	9.8	8.4
200 to 500	11.9	8.3	9.9	17.7	9.9	11.5	18.2	24.3
500 or more	6.4	8.3	7.7	10.1	16.6	21.4	21.2	21.5
	Average Percentage of Employees				Average Percentage of Employees			
Employee category								
Full-time workers	95.4	93.3	92.2	94.1	92.2	76.2	82.6	75.8
Part-time workers	2.2	3.4	2.5	2.1	7.2	16.2	15.1	21.8
Contract workers	2.4	3.2	5.4	3.8	0.6	7.6	1.5	1.8

### QUESTION 2

Do you expect that your number of employees will increase, remain unchanged, or decrease over the next twelve months?

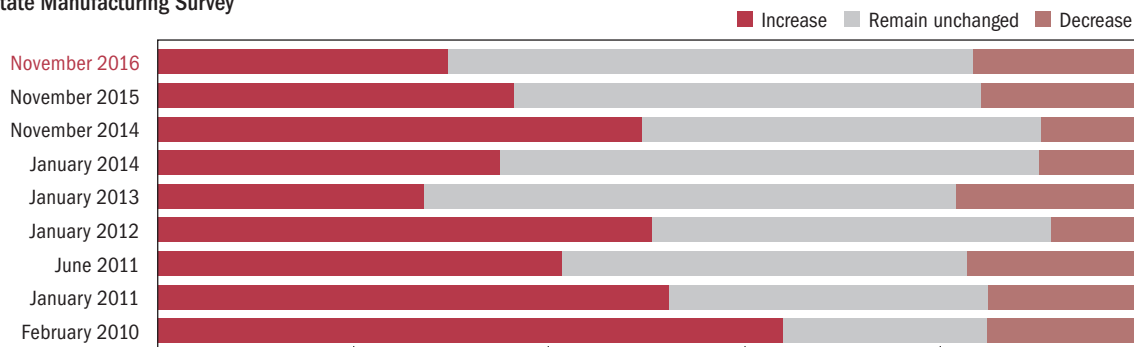
	Empire State Manufacturing Survey				Business Leaders Survey			
	Percentage of Respondents				Percentage of Respondents			
	November 2016	November 2015	November 2014	January 2014	November 2016	November 2015	November 2014	January 2014
Increase	29.6	36.4	49.5	35.0	44.1	40.3	43.8	40.0
Remain unchanged	53.7	47.7	40.7	55.0	36.8	47.8	44.5	40.9
Decrease	16.7	15.9	9.9	10.0	19.1	11.9	11.7	19.1

# Supplemental Survey Report, *continued*

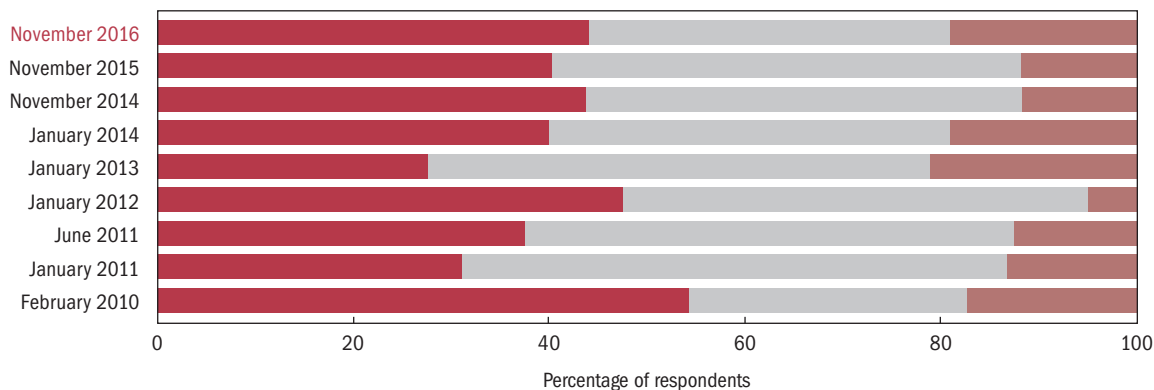
## HISTORICAL OVERVIEW FOR QUESTION 2

Do you expect that your number of employees will increase, remain unchanged, or decrease over the next twelve months?

Empire State Manufacturing Survey



Business Leaders Survey



### QUESTION 3

If you plan to increase total employment: What are the three most important factors behind your plans to increase employment? Please rank up to three factors.

	Empire State Manufacturing Survey			Business Leaders Survey		
	Percentage of Respondents Ranking the Factor as			Percentage of Respondents Ranking the Factor as		
	Most Important	Second Most Important	Third Most Important	Most Important	Second Most Important	Third Most Important
Expected growth of sales is high	71.9	12.5	3.1	58.2	14.9	9.0
Reduced employment too much in recession	0.0	3.1	3.1	1.5	3.0	4.5
Current staff are overworked	6.3	28.1	15.6	9.0	41.8	9.0
Need skills not possessed by current staff	12.5	25.0	21.9	17.9	14.9	16.4
Labor costs have fallen	0.0	0.0	0.0	0.0	1.5	1.5
Decreased economic or financial uncertainty	0.0	12.5	18.8	1.5	1.5	13.4
Firm's financial position has improved	6.3	12.5	28.1	4.5	10.4	22.4
Other factors	3.1	3.1	0.0	10.4	6.0	9.0

Note: Responses to this question are reported as a percentage of those indicating "increase" in Question 2.

## Supplemental Survey Report, *continued*

### QUESTION 4

What are the three most important factors, if any, restraining your hiring plans? If there are no important factors restraining your hiring plans, please check “no sources of restraint” below. Otherwise, please rank up to three factors.

	Empire State Manufacturing Survey			Business Leaders Survey		
	Percentage of Respondents Ranking the Factor as			Percentage of Respondents Ranking the Factor as		
	Most Important	Second Most Important	Third Most Important	Most Important	Second Most Important	Third Most Important
Expected growth of sales is low	48.1	11.4	2.5	31.0	7.0	9.3
Current staff are underutilized/working reduced hours	1.3	11.4	8.9	3.1	5.4	3.1
Cannot find workers with required skills	25.3	11.4	10.1	19.4	10.1	7.0
Labor costs are high	7.6	16.5	11.4	3.1	16.3	9.3
Uncertainty about the cost of health insurance	2.5	12.7	6.3	3.1	10.1	9.3
Uncertainty about other regulations or government policies	1.3	13.9	13.9	5.4	10.1	11.6
Firm’s financial position has deteriorated	3.8	7.6	10.1	0.0	7.0	4.7
Want to keep operating costs low	11.4	15.2	31.6	19.4	15.5	19.4
Other factors	7.6	0.0	1.3	6.2	0.8	0.8
Percentage indicating no sources of restraint	26.6			26.4		

### QUESTION 5

Which of the following best describes your use of changes in wages and salaries to retain existing employees?

	Empire State Manufacturing Survey	Business Leaders Survey
	Percentage of Respondents	Percentage of Respondents
Increasing wages and salaries for <i>most</i> job categories by more than in the past few years	23.6	19.7
Increasing wages and salaries for only <i>selected</i> job categories by more than in the past few years	31.1	36.2
Neither of the above	45.3	44.1

## Supplemental Survey Report, *continued*

### QUESTION 6

Do you employ any workers previously exempt from overtime that you expect will be eligible for overtime pay when new legislation takes effect in December?

	Empire State Manufacturing Survey	Business Leaders Survey
	Percentage of Respondents	Percentage of Respondents
Yes	23.1	30.6
<i>If yes, median number of workers</i>	5	8
No	69.2	61.2
Don't know	7.7	8.2

### QUESTION 7

How do you intend to respond to the new overtime eligibility rules? Please select all that apply.

	Empire State Manufacturing Survey	Business Leaders Survey
	Percentage of Respondents	Percentage of Respondents
No adjustments to the number of workers we employ, and no adjustment to salaries and hours per week for current workers who are newly eligible for overtime	69.2	59.2
Raise salaries for some newly eligible employees above the eligibility threshold	15.4	21.8
Reduce hours for some newly eligible employees to forty hours per week or less	21.2	22.4
Reduce the number of workers we employ	8.7	6.8
Increase the number of workers we employ	1.9	2.0
Other	2.9	8.8