

Supplemental Survey Report

Businesses Report Increased Difficulty in Finding Qualified Workers; Wage Growth Remains Moderate

Supplementary questions in the November 2019 *Empire State Manufacturing Survey* and *Business Leaders Survey* focused on expected changes in firms' workforces, factors underlying the changes, and recent and expected growth in wages. These questions had been asked in November 2018 and earlier surveys.

In the current survey, 38 percent of firms—in both the manufacturing and service sectors—said they expected their workforce to increase over the next twelve months; 15 percent of participants in both surveys anticipated declines in the total number of workers. These balances are noticeably less positive, overall, than in last November's survey (see table).

When those respondents anticipating increases in employment were asked to rank the factors underlying their decisions, the results were not substantially different from earlier surveys: high expected sales growth was still the factor ranked by the largest number of respondents as most important—by 68 percent of such manufacturers but only 37 percent of corresponding service-sector respondents. Almost as many service-sector respondents (34 percent) cited an overworked staff, and 15 percent indicated a need for skills not possessed by

current staff. In the manufacturing survey, these factors were also the next most widely cited.

When asked about factors restraining hiring plans, fewer than one in six respondents in both surveys indicated that there were no sources of restraint—down moderately from last year's survey among service firms but little changed among manufacturers. For those firms that did indicate some source(s) of restraint, an inability to find workers with required skills was deemed the most important factor among both manufacturing and service firms, followed closely by low sales growth. Fewer respondents than in last November's survey cited high labor costs as an important factor.

Respondents were also queried on what types of difficulties they were (or weren't) having hiring workers. More than 70 percent of manufacturers and over 60 percent of service-sector businesses noted some difficulties in hiring—both up moderately from last year's surveys. When those who were having difficulties were asked to elaborate, the vast majority of such businesses in both surveys cited a lack of qualified applicants. Of those having difficulties, nearly a third of the service firms and nearly a quarter of

the manufacturers cited job candidates rejecting job offers. (Multiple answers were permitted.)

When those having difficulty hiring were asked which of a number of approaches they have tried, fewer than 40 percent said that they were increasing wages, signing bonuses, or total compensation offers. However, a slightly larger proportion of manufacturing respondents (42 percent) said they had been hiring less-qualified workers, and providing additional training to upgrade their skills. Other approaches that were fairly widely cited included a focus on retaining and promoting existing employees to reduce the need for new hires and increased advertising of open positions. (Multiple answers were permitted here as well.)

Finally, businesses were also asked about recent changes in the average wage or salary of a typical worker (not including benefits). Compared with a year earlier, wages and salaries were reported to be up 4.2 percent among manufacturers—slightly higher than in last November's survey. Among service firms, wages and salaries were reported to be up by 3.5 percent—down from more than 4 percent a year earlier. ■

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					
	November 2019	November 2018	November 2017	November 2019	November 2018	November 2017
Under 100	72.5	69.6	66.7	57.9	70.2	63.5
100-150	7.2	10.4	11.9	10.1	4.6	8.2
150-200	4.3	5.2	4.8	3.8	2.6	3.8
200-500	12.3	11.1	12.7	11.9	9.9	11.9
500 or more	3.6	3.7	4.0	16.4	12.6	12.6
	Average Percentage of Employees					
Employee category						
Full-time workers	95.2	94.5	93.8	75.7	79.1	86.0
Part-time workers	3.3	4.2	3.7	19.1	17.9	9.2
Contract workers	1.5	2.9	2.5	5.2	15.0	4.8

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					
	November 2019	November 2018	November 2017	November 2019	November 2018	November 2017
Increase	37.9	44.4	39.7	38.0	48.7	44.1
Remain unchanged	47.1	44.4	46.0	47.2	40.1	44.1
Decrease	15.0	11.1	14.3	14.7	11.2	11.8

Supplemental Survey Report, *continued*

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					
	Most Important	Second Most Important	Third Most Important	Most Important	Second Most Important	Third Most Important
Expected growth of sales is high	67.9	7.5	9.4	37.1	25.8	8.1
Reduced employment too much in recession	0.0	0.0	5.7	1.6	0.0	8.1
Current staff are overworked	7.5	35.8	13.2	33.9	19.4	16.1
Need skills not possessed by current staff	11.3	26.4	9.4	14.5	21.0	12.9
Labor costs have fallen	0.0	1.9	1.9	0.0	0.0	0.0
Decreased economic or financial uncertainty	0.0	7.5	13.2	0.0	6.5	6.5
Firm's financial position has improved	3.8	9.4	22.6	3.2	16.1	16.1
Other factors	9.4	3.8	7.5	9.7	0.0	4.8

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

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					
	Most Important	Second Most Important	Third Most Important	Most Important	Second Most Important	Third Most Important
Expected growth of sales is low	30.5	11.0	5.1	25.4	10.9	2.2
Current staff are underutilized/working reduced hours	3.4	7.6	5.9	1.4	4.3	7.2
Cannot find workers with required skills	34.7	14.4	9.3	35.5	12.3	8.0
Labor costs are high	10.2	16.9	10.2	8.7	15.9	14.5
Uncertainty about the cost of health insurance	4.2	2.5	9.3	0.7	10.1	8.7
Uncertainty about other regulations or government policies	4.2	12.7	7.6	3.6	10.1	17.4
Firm's financial position has deteriorated	2.5	1.7	2.5	5.8	2.2	8.0
Want to keep operating costs low	7.6	19.5	21.2	15.2	20.3	14.5
Other factors	2.5	0.0	5.1	3.6	1.4	2.2
Percentage indicating no sources of restraint	15.0			16.0		

Supplemental Survey Report, *continued*

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					
	November 2019	November 2018	November 2017	November 2019	November 2018	November 2017
Increasing wages and salaries for <i>most</i> job categories by more than in the past few years	29.9	37.6	33.1	26.2	31.8	16.0
Increasing wages and salaries for only <i>selected</i> job categories by more than in the past few years	24.8	24.8	30.6	32.3	35.1	31.5
Neither of the above	45.3	37.6	36.3	41.5	33.1	52.5

QUESTION 6

Thinking of positions your firm has filled or attempted to fill, have you had difficulty hiring workers in the last three months? Choose as many as apply.

	Empire State Manufacturing Survey			Business Leaders Survey		
	Percentage of Respondents					
	November 2019	November 2018	November 2017	November 2019	November 2018	November 2017
No	26.8	28.8	31.0	38.3	43.2	50.6
Because we have had no job openings in the last three months	12.4	19.5	15.3	14.6	21.3	24.7
Because we have been able to hire without difficulty	13.1	8.3	16.1	22.0	17.3	23.5
Because we have had trouble retaining new hires	2.2	1.5	2.4	1.8	4.7	2.5
Yes	73.2	71.2	69.0	61.7	56.8	49.4
Because of a lack of qualified applicants	67.2	65.4	64.5	56.1	49.3	45.1
Because applicants have failed or refused drug tests	15.3	18.8	16.1	5.5	7.3	6.2
Because candidates have rejected job offers	16.8	13.5	10.5	19.5	18.0	11.1
For reasons not listed above	8.8	6.8	2.4	6.1	6.0	4.3

Note: The proportion of respondents indicating the various reasons underlying "Yes" or "No" answers adds up to more than the respective totals, because multiple responses were permitted.

Supplemental Survey Report, *continued*

QUESTION 7

If your firm has had difficulty hiring, which of the following approaches have you tried? Choose as many as apply.

	Empire State Manufacturing Survey			Business Leaders Survey		
	Percentage of Respondents					
	November 2019	November 2018	November 2017	November 2019	November 2018	November 2017
Raised wages, signing bonuses, or total compensation offered to new hires	38.0	46.6	39.5	38.4	36.0	31.5
Increased non-wage benefits offered to new hires	14.6	13.5	6.5	12.2	10.0	5.6
Hired less-qualified workers but provided additional training to upgrade their skills	42.3	47.4	33.1	25.0	23.3	16.0
Increased advertising of open positions	35.0	32.3	37.1	31.7	30.0	25.3
Hired additional workers through a temporary help agency	28.5	21.1	23.4	11.0	14.0	13.0
Invested in technology to reduce the need for new hires	28.5	31.6	29.8	17.1	20.0	12.3
Focused on retaining and promoting existing employees to reduce the need for new hires	29.2	31.6	28.2	26.2	32.0	25.9
Made no changes, still hoping to hire	8.8	7.5	9.7	8.8	7.5	11.7

Note: The proportion of respondents indicating each response option adds up to more than 100 percent, because multiple responses were permitted.

QUESTION 8

By about what percentage, on average, would you say a typical worker's wage/salary—not including benefits—has changed over the *past* twelve months?

	Empire State Manufacturing Survey				Business Leaders Survey			
	November 2019	November 2018	February 2018	January 2017	November 2019	November 2018	February 2018	January 2017
Expected percentage increase								
Median	3.0	3.0	3.0	2.5	3.0	3.0	3.0	3.0
Average	4.2	4.0	3.4	2.8	3.5	4.2	3.8	3.0
Percentage of respondents expecting								
Decrease	0.0	0.0	0.0	0.9	1.2	0.6	0.0	1.3
No change	13.4	22.4	20.1	24.8	19.8	20.8	19.7	21.2
Increase	86.6	77.6	79.9	74.3	79.0	78.6	80.3	77.5
2 percent or less	9.7	8.2	8.6	18.6	9.9	11.7	16.2	15.9
More than 2 and up to 4 percent	49.3	42.5	33.8	31.9	38.9	37.0	30.3	33.8
More than 4 percent	27.6	26.9	37.4	23.9	30.2	29.9	33.8	27.8