

Supplemental Survey Report

Service Firms Report Weaker Labor Market than Manufacturers

Supplementary questions in the November 2020 *Empire State Manufacturing Survey* and *Business Leaders Survey* focused on expected changes in firms' workforces, factors underlying the changes—with a particular focus on effects of the pandemic—and recent trends in wages. Some of these questions had been asked in November 2019 and earlier surveys.

In the current survey, 35 percent of service firms and 44 percent of manufacturers said they expected their workforce to increase over the next twelve months; conversely, 20 percent of service firms and 15 percent of manufacturers anticipated declines in the total number of workers. These balances are not much different, overall, than in the November 2019 survey—somewhat less positive among service firms, somewhat more positive among manufacturing firms (see table). Among service sector respondents, the most positive balances tended to come from businesses in retail, wholesale, education & health, and professional & business services; the least positive balances came from those in leisure & hospitality, and real estate & construction (not shown in table).

When those respondents anticipating increases in employment were asked to rank the factors underlying their decisions, the results were somewhat different from earlier surveys: high expected sales growth was still the factor ranked by the largest number of respondents as most important—by nearly half of the service firms and nearly two-thirds

of the manufacturers. However, in contrast with earlier surveys, none of the other factors came close, though an overworked staff and a need for skills not possessed by current staff remained the next most widely cited factors.

Almost half of service-sector respondents and just over a third of manufacturers reported that they did not expect employment at their establishment to reach or surpass pre-pandemic levels within the next twelve months.

When asked about factors restraining hiring plans, roughly one in six respondents in both surveys indicated that there were no sources of restraint—not much different than reported in last November's survey. For those firms that did indicate some source(s) of restraint, low expected sales growth was the most widely cited factor—by 39 percent of both service and manufacturing firms. An inability to find workers with required skills, which had been cited as the most important factor among both groups in last November's survey, was deemed considerably less of a factor this time around—particularly among service firms. A newly listed factor—uncertainty about the course of the coronavirus pandemic and/or coronavirus-related regulations or government policies—was also fairly widely cited as an important factor.

Businesses were also asked about how they were changing their wage and salary structures, if at all, to retain existing employees. A third of service-sector respondents and nearly half of

manufacturers indicated that they were raising wages/salaries for at least some job categories by more than they had in recent years. On the other hand, just 11 percent of service firms and 7 percent of manufacturers said they were cutting pay in order to retain or recall a larger share of their workforce. When asked about the use of pay to attract new hires, an even larger 37 percent of service firms and more than 60 percent of manufacturers reported that they increased pay by more than they had in recent years.

In contrast with past years' surveys, a minority of service firms, 37 percent, reported difficulty in filling positions. Among manufacturers, the respective proportion was a majority, 55 percent—but still down from more than 70 percent in recent years. For those reporting difficulties, the main reason cited was a lack of qualified applicants. Among those reporting no difficulty, the main reason cited was that they had no job openings to fill.

Finally, roughly 10 percent of respondents in both surveys indicated that they had made layoffs since the start of the pandemic that were intended to be permanent. Among service firms, almost half said they had not furloughed workers, while about 40 percent said that they had furloughed workers but that most of these were intended to be temporary. Among manufacturers, the respective proportions were 56 percent and 34 percent. Manufacturers were also more inclined than service firms to have re-hired furloughed workers. ■

Supplemental Survey Report, *continued*

QUESTION 1

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

	Business Leaders Survey			Empire State Manufacturing Survey		
	Percentage of Respondents					
	November 2020	November 2019	November 2018	November 2020	November 2019	November 2018
Under 100	66	58	70	70	72	70
100-149	9	10	5	9	7	10
150-199	1	4	3	3	4	5
200-499	9	12	10	10	12	11
500 or more	15	16	13	8	4	4
	Average Percentage of Employees					
Employee category						
Full-time workers	77	76	79	95	95	95
Part-time workers	18	19	18	3	3	4
Contract workers	5	5	15	1	2	3

QUESTION 2

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

	Business Leaders Survey			Empire State Manufacturing Survey		
	Percentage of Respondents					
	November 2020	November 2019	November 2018	November 2020	November 2019	November 2018
Increase	35	38	49	44	38	44
Remain unchanged	45	47	40	41	47	44
Decrease	20	15	11	15	15	11

Supplemental Survey Report, *continued*

QUESTION 2a

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.

	Business Leaders Survey			Empire State Manufacturing 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	47	12	16	63	16	3
Recalling workers laid off due to the coronavirus pandemic	4	5	8	2	8	8
Current staff are overworked	17	21	11	8	22	16
Need skills not possessed by current staff	13	22	12	14	11	14
Labor costs have fallen	0	0	1	0	2	0
Decreased economic or financial uncertainty	1	13	13	6	17	10
Firm's financial position has improved	7	20	18	3	13	33
Other factors	11	1	8	3	5	5

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

QUESTION 3

How long do you expect it will be before you reach your pre-coronavirus pandemic employment level (pre-March 2020 employment level)?

	Business Leaders Survey		Empire State Manufacturing Survey	
	Percentage of Respondents			
Already at or above our pre-coronavirus employment level	30		42	
0-6 months	8		9	
7-12 months	17		13	
13-18 months	18		13	
19-24 months	11		10	
More than 2 years	9		9	
Never	7		4	

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.

	Business Leaders Survey			Empire State Manufacturing 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	39	13	9	39	14	3
Current staff are underutilized/working reduced hours	6	6	5	3	13	7
Cannot find workers with required skills	16	5	6	26	13	14
Labor costs are high	4	7	3	2	11	7
Uncertainty about the cost of health insurance	0	1	3	0	1	2
Uncertainty about the course of the coronavirus pandemic and/or coronavirus-related regulations or government policies	19	26	14	14	18	19
Uncertainty about other regulations or government policies	3	12	11	3	7	8
Firm's financial position has deteriorated	5	9	6	3	5	5
Want to keep operating costs low	6	13	30	3	10	22
Other factors	3	2	2	6	2	1
Percentage indicating no sources of restraint	14.0			17.0		

QUESTION 5

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

	Business Leaders Survey	Empire State Manufacturing Survey
	Percentage of Respondents	
Increasing wages and salaries for most job categories by more than in the past few years	9	26
Increasing wages and salaries for only selected job categories by more than in the past few years	24	22
Cutting some employees' wages and salaries in order to retain and/or recall a larger share of our workforce	11	7
None of the above	56	45

Supplemental Survey Report, *continued*

QUESTION 6

Which of the following best describes your use of changes in starting wages and/or salaries to attract new hires?

	Business Leaders Survey	Empire State Manufacturing Survey
	Percentage of Respondents	
We are raising starting wages and/or salaries for most job categories	13	39
We are raising starting wages and/or salaries for only selected job categories	24	24
We are not raising starting wages and/or salaries	63	38

QUESTION 7

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.

	Business Leaders Survey			Empire State Manufacturing Survey		
	Percentage of Respondents					
	November 2020	November 2019	November 2018	November 2020	November 2019	November 2018
No	63	38	43	45	27	29
Because we have had no job openings in the last three months	43	15	21	27	12	20
Because we have been able to hire without difficulty	22	22	17	15	13	8
Because we have had trouble retaining new hires	2	2	5	4	2	2
Yes	37	62	57	55	73	71
Because of a lack of qualified applicants	29	56	49	49	67	65
Because applicants have failed or refused drug tests	5	5	7	10	15	19
Because candidates have rejected job offers due to coronavirus-related health concerns	8	n.a.	n.a.	8	n.a.	n.a.
Because candidates have rejected job offers for other reasons	11	n.a.	n.a.	15	n.a.	n.a.
For reasons not listed above	7	6	6	7	9	7

Note: Multiple responses were permitted within the Yes/No categories; two of the options were not given in earlier surveys.

Supplemental Survey Report, *continued*

QUESTION 8

Since the start of the coronavirus pandemic, has your firm laid off or furloughed workers for reasons related to the coronavirus pandemic?

	Business Leaders Survey	Empire State Manufacturing Survey
	Percentage of Respondents	
Yes, and the majority of the layoffs were intended to be permanent	12	10
Yes, and the majority of the layoffs were intended to be temporary	41	34
No	47	56

QUESTION 8a

If the majority of these layoffs were intended to be temporary (in Q8), have you recalled the temporarily laid-off or furloughed workers?

	Business Leaders Survey	Empire State Manufacturing Survey
	Percentage of Respondents	
Yes	43	59
Yes, and we rehired the workers sooner than expected	13	12
Yes, and the layoffs lasted about as long as expected	18	33
Yes, but the layoffs lasted longer than expected	13	14
No	57	41
No or not completely, because the laid-off workers rejected recalls	10	6
No or not completely, because the job cuts became permanent	19	16
No or not completely, for other reasons	27	18