

Supplemental Survey Report

More Businesses Struggling to Find Qualified Workers; Modest Pickup in Wage Growth Noted

Supplementary questions in the November 2018 *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. Most of the questions had been asked in November 2017 and earlier surveys, while the questions on wages had been asked in February 2018 and January 2017.

In the current survey, 44 percent of manufacturers and 49 percent of service firms said they expected their workforce to increase over the next twelve months; 11 percent of participants in both surveys anticipated declines in the total number of workers. These balances are somewhat more positive, overall, than in earlier surveys (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 60 percent of such manufacturers and 46 percent of corresponding service sector respondents. The next most widely cited factors in the service sector survey were an overworked staff, followed by a need for skills not possessed by current staff. In

the manufacturing survey, these were also the next most widely cited factors, but in the opposite order. These results are again similar to those in last November's survey.

When asked about factors restraining hiring plans, roughly one in four service sector respondents indicated that there were no sources of restraint (up modestly from last November's survey), while only 13 percent of manufacturers cited no sources of restraint (down noticeably from a year ago). 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, topping low sales growth. High labor costs were also cited 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 57 percent of service sector businesses noted some difficulties in hiring. When asked to elaborate, the vast majority of those who were having difficulties—in both the manufacturing and service sectors—cited a lack of qualified applicants. Slightly more than one in four of the manufacturers having difficulties cited applicants failing or refusing to take drug tests. (Multiple answers were permitted.)

When those having difficulty hiring were asked which of a number of approaches they have tried, a sizable proportion indicated that they were increasing wages, signing bonuses, or total compensation offers. However, an even larger proportion of manufacturing respondents (47 percent) said that they had been hiring less-qualified workers, providing additional training to upgrade their skills. Nearly a third of businesses in both surveys indicated that they had been focusing on retaining and promoting existing employees to reduce the need for new hires. (Multiple answers were permitted here as well.)

Finally, businesses were asked about recent and expected 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 4.0 percent among manufacturers and slightly more among service firms, on average—about half a percentage point higher than in February 2018, when these questions were previously asked. Looking ahead to the next twelve months, the average expected increase for existing workers was 3.5 percent among manufacturers and 3.7 percent among service firms—also a bit higher than in the February 2018 survey. ■

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 2018	November 2017	November 2016	November 2018	November 2017	November 2016
Under 100	69.6	66.7	64.2	70.2	63.5	55.0
100 to 150	10.4	11.9	11.9	4.6	8.2	11.3
150 to 200	5.2	4.8	5.5	2.6	3.8	7.3
200 to 500	11.1	12.7	11.9	9.9	11.9	9.9
500 or more	3.7	4.0	6.4	12.6	12.6	16.6
	Average Percentage of Employees					
Employee category						
Full-time workers	94.5	93.8	95.4	79.1	86.0	92.2
Part-time workers	4.2	3.7	2.2	17.9	9.2	7.2
Contract workers	2.9	2.5	2.4	15.0	4.8	0.6

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 2018	November 2017	November 2016	November 2018	November 2017	November 2016
Increase	44.4	39.7	29.6	48.7	44.1	44.1
Remain unchanged	44.4	46.0	53.7	40.1	44.1	36.8
Decrease	11.1	14.3	16.7	11.2	11.8	19.1

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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	60.0	13.3	5.0	45.9	12.2	9.5
Reduced employment too much in recession	0.0	6.7	3.3	1.4	1.4	6.8
Current staff are overworked	13.3	23.3	18.3	17.6	25.7	8.1
Need skills not possessed by current staff	16.7	28.3	10.0	13.5	18.9	17.6
Labor costs have fallen	0.0	0.0	0.0	0.0	0.0	0.0
Decreased economic or financial uncertainty	0.0	0.0	18.3	4.1	8.1	13.5
Firm's financial position has improved	0.0	16.7	25.0	2.7	17.6	16.2
Other factors	10.0	6.7	6.7	10.8	1.4	5.4

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	15.9	7.1	10.6	22.0	8.1	6.5
Current staff are underutilized/working reduced hours	1.8	5.3	4.4	3.3	2.4	4.9
Cannot find workers with required skills	39.8	20.4	7.1	27.6	10.6	7.3
Labor costs are high	11.5	18.6	14.2	10.6	15.4	6.5
Uncertainty about the cost of health insurance	6.2	11.5	6.2	2.4	13.8	8.1
Uncertainty about other regulations or government policies	5.3	9.7	11.5	4.9	7.3	13.8
Firm's financial position has deteriorated	3.5	2.7	3.5	2.4	4.9	7.3
Want to keep operating costs low	13.3	14.2	25.7	14.6	17.1	18.7
Other factors	5.3	2.7	2.7	2.4	1.6	1.6
Percentage indicating no sources of restraint		12.6			25.8	

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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 2018	November 2017	November 2016	November 2018	November 2017	November 2016
Increasing wages and salaries for <i>most</i> job categories by more than in the past few years	37.6	33.1	23.6	31.8	16.0	19.7
Increasing wages and salaries for only <i>selected</i> job categories by more than in the past few years	24.8	30.6	31.1	35.1	31.5	36.2
Neither of the above	37.6	36.3	45.3	33.1	52.5	44.1

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 2018	November 2017	November 2018	November 2017
No	28.8	31.0	43.2	50.6
Because we have had no job openings in the last three months	19.5	15.3	21.3	24.7
Because we have been able to hire without difficulty	8.3	16.1	17.3	23.5
But we have had trouble retaining new hires	1.5	2.4	4.7	2.5
Yes	71.2	69.0	56.8	49.4
Because of a lack of qualified applicants	65.4	64.5	49.3	45.1
Because applicants have failed or refused drug tests	18.8	16.1	7.3	6.2
Because candidates have rejected job offers	13.5	10.5	18.0	11.1
For reasons not listed above	6.8	2.4	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.

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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 2018	November 2017	November 2018	November 2017
Raised wages, signing bonuses, or total compensation offered to new hires	46.6	39.5	36.0	31.5
Increased non-wage benefits offered to new hires	13.5	6.5	10.0	5.6
Hired less-qualified workers but provided additional training to upgrade their skills	47.4	33.1	23.3	16.0
Increased advertising of open positions	32.3	37.1	30.0	25.3
Hired additional workers through a temporary help agency	21.1	23.4	14.0	13.0
Invested in technology to reduce the need for new hires	31.6	29.8	20.0	12.3
Focused on retaining and promoting existing employees to reduce the need for new hires	31.6	28.2	32.0	25.9
Made no changes, still hoping to hire	7.5	9.7	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.

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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 2018	February 2018	January 2017	November 2018	February 2018	January 2017
Expected percentage increase						
Median	3.0	3.0	2.5	3.0	3.0	3.0
Average	4.0	3.4	2.8	4.2	3.8	3.0
Percentage of respondents expecting						
Decrease	0.0	0.0	0.9	0.6	0.0	1.3
No change	22.4	20.1	24.8	20.8	19.7	21.2
Increase	77.6	79.9	74.3	78.6	80.3	77.5
2 percent or less	8.2	8.6	18.6	11.7	16.2	15.9
More than 2 and up to 4 percent	42.5	33.8	31.9	37.0	30.3	33.8
More than 4 percent	26.9	37.4	23.9	29.9	33.8	27.8

QUESTION 9

By about what percentage, on average, do you expect a typical worker's wage/salary—not including benefits—to change over the *next* twelve months?

	Empire State Manufacturing Survey			Business Leaders Survey		
	November 2018	February 2018	January 2017	November 2018	February 2018	January 2017
Expected percentage increase						
Median	3.0	3.0	3.0	3.0	3.0	3.0
Average	3.5	3.1	2.9	3.7	3.6	3.1
Percentage of respondents expecting						
Decrease	0.0	0.7	0.0	0.0	0.0	0.7
No change	17.9	10.1	20.2	20.1	13.4	13.2
Increase	82.1	89.2	79.8	79.9	86.6	86.1
2 percent or less	12.7	20.9	17.5	14.3	16.9	19.9
More than 2 and up to 4 percent	45.5	48.9	50.0	36.4	41.5	46.4
More than 4 percent	23.9	19.4	12.3	29.2	28.2	19.9