

Texas Budget Projections for Pay Rates

August 11, 2021



<https://unsplash.com/photos/6awfTPLGaCE>

A review of trends in the Finance Industry, and what to plan for budgeting in future years.

Contents

- Executive Summary (Pg. 2 - 3)
- Motivation and Reasoning (Pg. 4)
- Explanation of Market (Pg. 5 - 10)
- Takeaways and Results (Pg. 11)
- Post Mortem (Pg. 12)
- About Us (Pg. 13)
- Appendices (Pg. 14 - 15)



<https://unsplash.com/photos/pnqCX-XdVSE>

Executive Summary

JLA Analytics focus is to provide analytics and details to best improve any financial improvements to your company's needs and wants. A growing concern that has been prevalent in the last 2 year's has been the effects of the pandemic, and how it is possible to maintain an operating business line without fears of high turnover. Looking at Texas specifically, we've decided to focus our research and time on the Finance Industry within the Greater Houston Area. Our hope and focus is that our analytics and application will allow you to see the potential trends, and growth and why it's important to project and plan effectively by using our application and analytics.

Through research and review, we've taken data and information from multiple sources that include and are not limited to the Texas Labor Market Information, and other local sources to provide a detailed overview of the job market as a whole. The idea is to focus specifically on your industry, and what are the competitive advantages of planning a budget for maintaining a competitive salary across your institution to better manage any future cash flows for maintaining employment across your company. We believe that our review and analysis, and application will allow you to see that this is a necessary review, and will gladly show that the adoption process of these analytics will become a best practice for any future cash flow plans to best keep your institution.

Goals

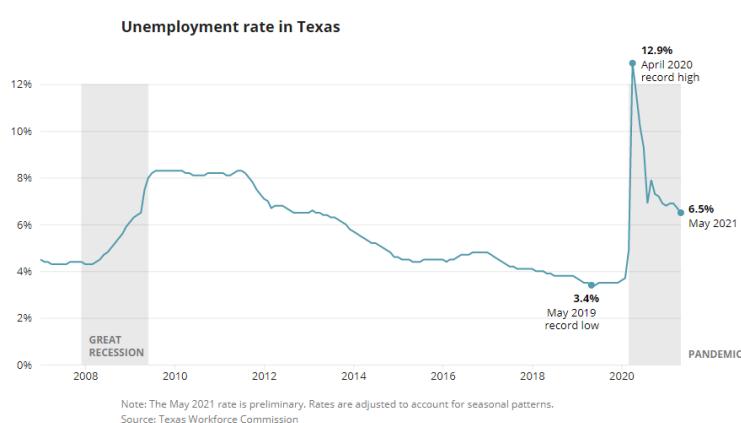
- Gain an understanding of an Industry Standard of Pay Rates
 - Analytics to be provided in comparison to Unemployment rates.
- Provide insight on where your Company is, and how to plan accordingly
 - Provide guidance on what are the next steps in planning a budget accordingly to be competitive and develop a guide to process it.



Motivation and Reasoning

These last 2 years have been difficult for many people, but curiosity struck when trying to understand what it meant for the job market. COVID-19 was something that shocked the world in how employment worked, and companies appeared to not be able to keep up with how companies would keep themselves afloat. Curiosity seemed to flow with the thought of having a secure job. Here were the big questions we wanted to focus on:

- Unforeseen circumstances have caused disparity for companies in managing wages and unemployment, how was Texas affected?
- What were the factors that may have been detrimental or beneficial to the wages within Texas?
- How can we protect ourselves or human capital, to make sure you can plan accordingly to budget?



As we read through articles, and reviewed the timeline of what occurred with the recognition of COVID-19, there was a drastic change in the perception of how prepared Texas appeared to be in the market and the unemployment rate. Things didn't appear as secure as many places made them out to be.

Recovering to where Texas was once before wasn't going to be an easy task, because most if not all companies were blindsided by the fact that a Pandemic could change the course of how to protect your job, family, and future afterward. We at JLA Analytics want to believe that there needs to be some kind of contingency to protect the people of any company, but wanted to focus specifically on the Greater Houston Area, and the Finance Industry. Since this was a target group and area, we wanted the scope to be specific, to be sure we were able to look at our own home and provide results to the industry we want to be a part of. It was important for us to look at what we could do to plan for the future.

Explanation of Market

Analysis of the Unknown for Unemployment

Many factors came into play when we reviewed the multiple sources for the market activity, however we wanted to focus on the big movers, as well as the familiarity of the labor market.

Within the last 2 years, the big questions that came to mind:

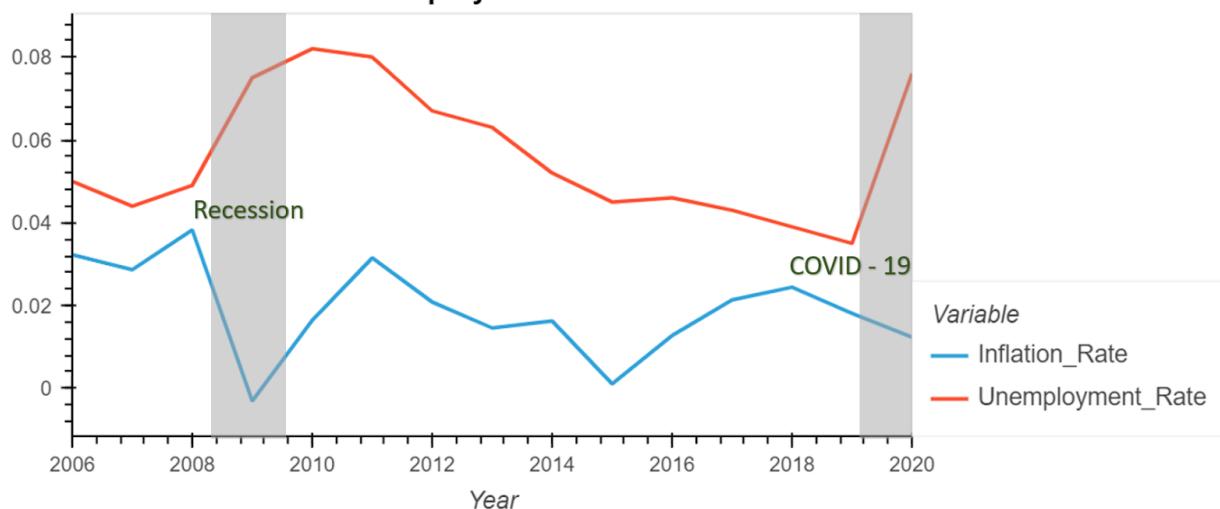
- What are the unforeseen circumstances?
- How was Texas employment and companies affected by these factors?

Looking at these 2 questions we wanted to explore, and understand the effects on the labor market, and make sure it made sense for us to see if there was underlying reason why the overall unemployment rate was significantly higher, as well as what other instances may have contributed to the need for job security and protection of labor for people within any institution or company. The findings were as follows:

- Unemployment, Inflation, and the Pandemic

Seeing these 3 factors independently, the association with any kind of job market influence would make anyone assume that there has to be some kind of correlation, or trend analysis among those 3. Maybe this was something for our team to investigate further in the attempt to understand, predict and manage unforeseen risk in any form or fashion.

US Inflation vs. TX Unemployment from 2006 - 2020



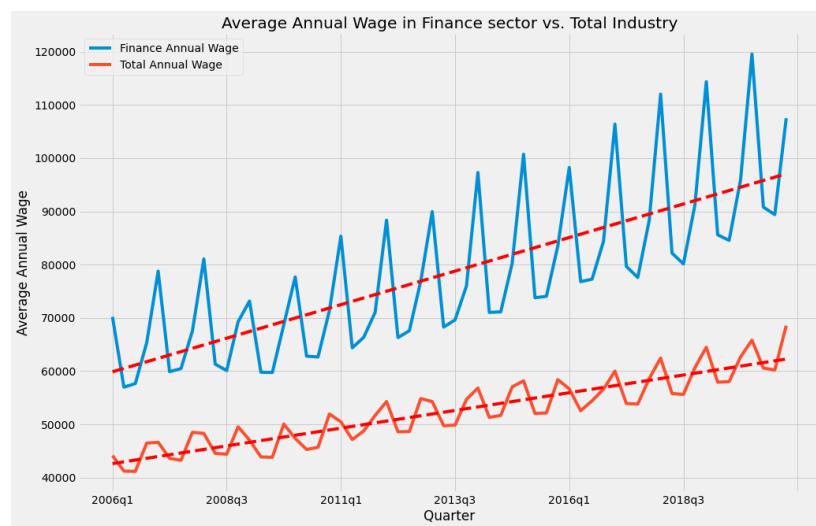
Looking through the analysis and data, we saw that the Texas Unemployment Rate, and the US Inflation rate had an effect, but not in a way that was expected for the general wages in the market. The general analysis was that there was some kind of wage disparity occurring in Texas as a whole, and it had an effect, but it potentially was mutually exclusive when looking at the data independently versus combining to compare.

The trends noticed included, but were not limited to the following in the last 2 years:

- Unemployment went up
- Inflation went up
- Uncertainty for maintaining their business model during a pandemic went up

Wage Analysis and Change?

Knowing the different factors, and coming back to job security, we have to come back to the basics of what are the individual wages in the markets and is there change that is needed within the market? We at JLA Analytics wanted to know this and be sure that our concerns were valid before providing the information for projecting for the future, but also want to be sure there was some kind of trend analysis for the overall market. These results would dictate what the next steps would be for any company in the market, but we wanted to focus specifically on the Finance Sector in Texas as a whole. Here were our main focus questions:

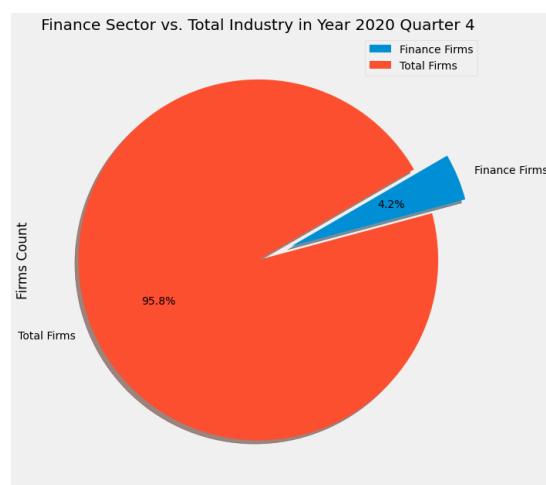
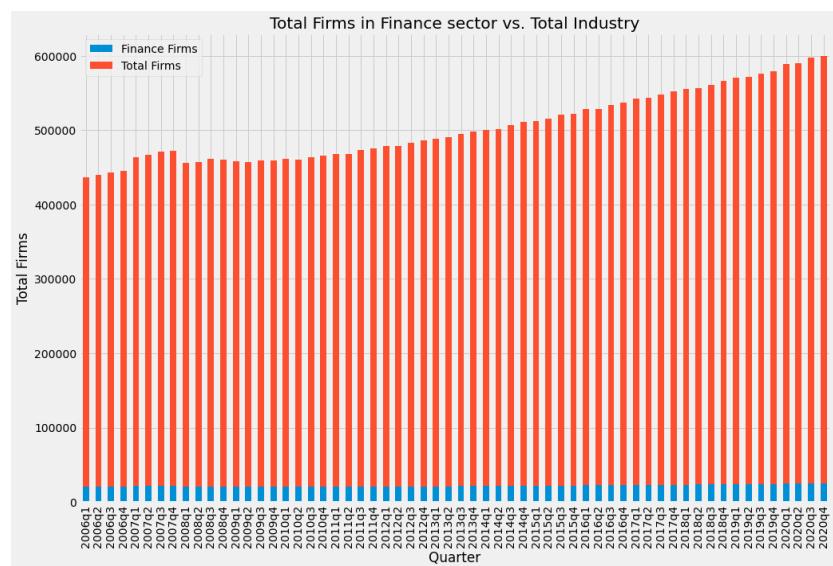


- What were the trends for wages in Texas for the Finance Sector specifically, and how did that compare with the overall market?

- What is the impact of the Finance Firms versus the entire job market? How does this industry stack up in Texas as a whole?

Our information was sourced through the US Bureau of Labor Statistics, and the Texas Labor Market Information. In consideration of the overall trend analysis, we took the analysis from the previously recognized recession of 2008, and tried to scale it up to present day to see the effects of COVID-19. Some key observations that were made from the original data included within the Finance Industry as a whole were that the supposed effects of downturns and negative influences in the market had minimal to no effect, and that the overall trend within the industry was positive. What we believed and thought would have a negative effect in the market, turned out to be overall positive, and that within the industry itself, we noted a huge wage disparity in the overall wages received within the industry in Texas, versus the total average of wages across all jobs within Texas as a whole. This discovery shows the impact and potential that Finance supposedly had in the Labor Market.

Looking at the industry as a whole, the market weighted values of the Finance Industry did not make up the majority of the total wages information that was provided from the provided statistics. We thought there would've been a bigger impact, but as you can see from the data, the job market was increasing, but the number of Finance Industry jobs is only a small percentage of the whole.



In the latter part of 2020, we can see that only 4.2% of the total jobs in the Texas market were Finance related, and had an effect on the overall wages, and that in the consideration of how to plot our regression analysis for future wages, this would be an impact for future firms as a whole.

Comparative Analysis: Wages vs. Inflation vs. Unemployment

Wages and External Factors

Our External Research also needed to include other factors that needed to be taken into consideration, but were limited by not being "measurable." Similar to that of what was previously discussed, wages, inflation, and unemployment were all numeric measures, but aren't the only limited factors. Employees take these items under consideration, but a lot of the external studies done by IBM's Institute for Business Value did a study to verify what other factors allowed. The questions brought about from the research and the article were as follows:

- What other factors are important to consider for maintaining your labor capital?
- Will this play a factor in the future for projecting budget, and protecting your assets as a whole?



IBM Institute for Business Value

IBM's Institute for Business value did a case study of over 14,000 consumers across 9 countries in the early part of 2021 to figure out what employees valued the most. Of which they found that there were 5 key characteristics that were needed for the employee to be content with the place of work they were employed at:

- Work-life balance, Career Advancement, Compensation and Benefits, Continuous Learning, Organizational Stability

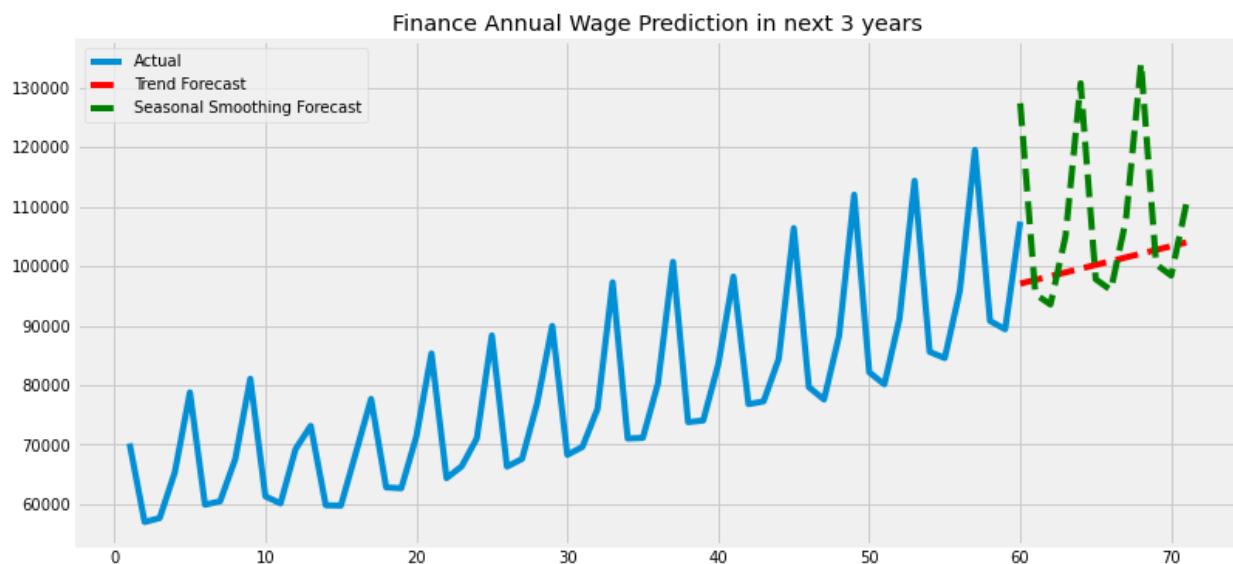
These characteristics were weighed specifically as means to keep people at institutions and companies, but there were a lot of different reasons why someone would choose to stay or

leave a company. Employees typically will make their own decisions and value these characteristics on their own. Companies will need to take this into consideration as the retention rate of employees as the flexibility and management of this has to be a decision that upper management needs to keep in order to keep their employees in good times and bad. Though with the consideration of the unforeseen circumstances, and the need to view what people value the most as employees, companies will need to plan and budget for the future. If not, loss of employees and potential loss of overall revenue to stay afloat as a company will fall. It's important to take these predictions and budget accordingly, we believe our analytics will help facilitate the 3-year plan in human capital.

Wage Projections and Competition

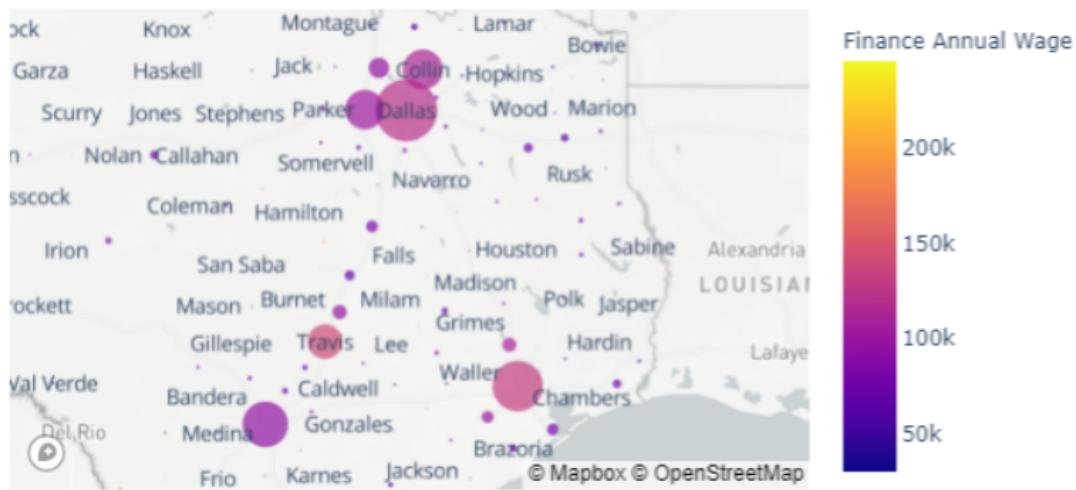
So what does this mean for the future? Predicting and planning is no simple task to think through, and making sure that your company's budget and planning allows for the optimal solution to get through a truly unforeseen circumstance. JLA Analytics needs to plan within the Greater Houston Area for the Finance Industry projections to be sure to plan enough with the previously mentioned. Here were the items that came into effect:

- Unforeseen Circumstances will have an effect (positive or negative)
- Additional External Factors will be reliant on the External Factors
- Assumption is using the US Labor Market Statistics, and Texas Labor Market Information is within the last 5-10 years



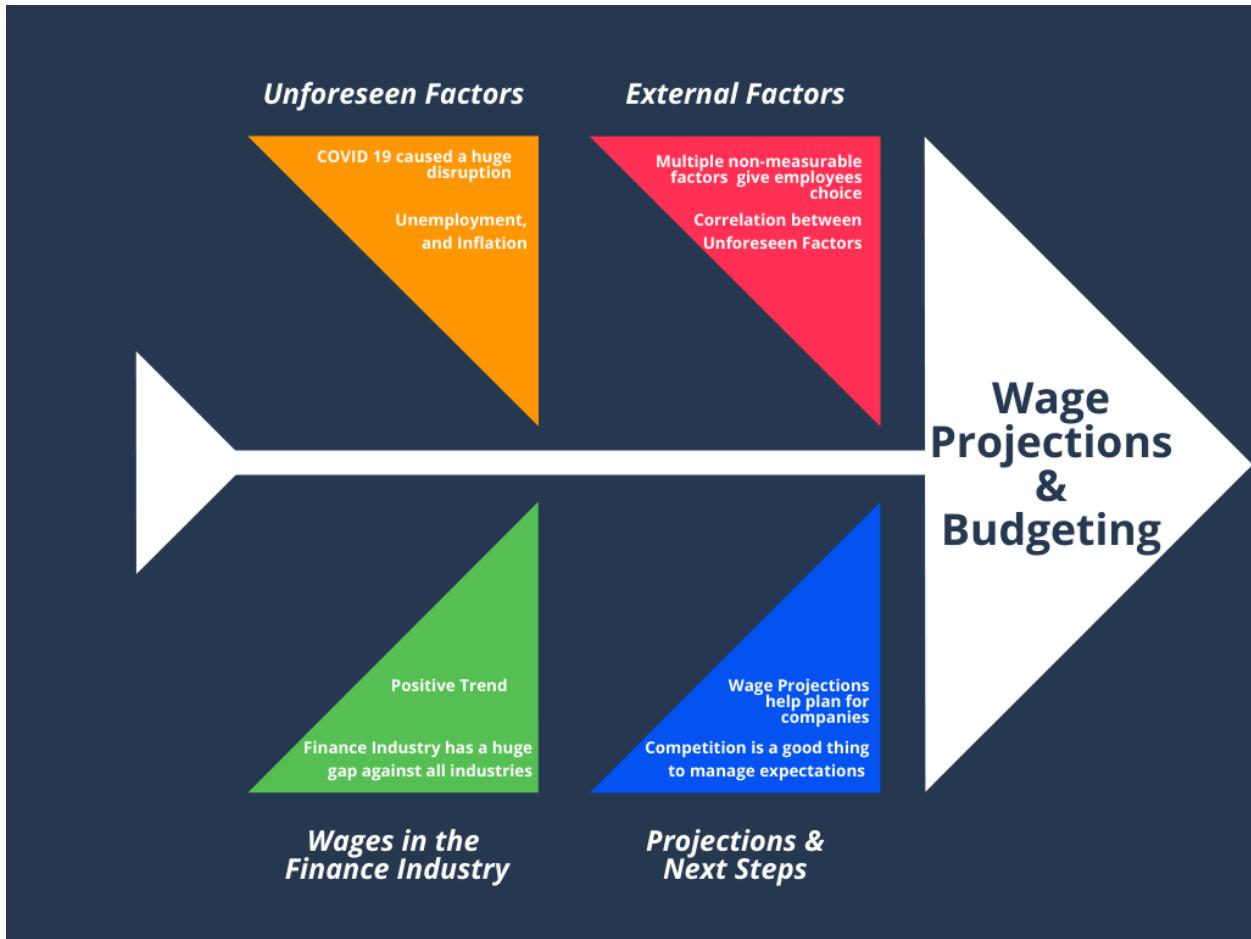
Under the running assumption of our regression analysis, and with the positive trend and impacting factors incorporated in the trend, there will be a continued increase in budget of at least 5 - 10% in overall budget. Taking into account the Seasonality adjusted smoothing forecast, this increase will allow for changes in inflation, budgetary limits, and potential unforeseen circumstances. The interesting results from this was the fact that there wasn't any decrease in wages within the Finance industry.

Finance Sector: Average Employment and Annual Wage in Texas



As a result of our wage analysis, and our review of all the Texas area. We found some interesting analysis with the Annual Wage in Texas having a high focus in 2 specific areas: Dallas/Fort Worth, and the Greater Houston Area. The annual wages in these areas were significantly higher and had a higher amount of jobs, and wage increases over the last 5 - 10 years. Taking into account the heat map as shown above, the idea for future competition and focus is to see where potential candidates or employees may look for positions. It's good to view what others may have, and take into account the disparity to manage a competitive edge for current and future employees for planning wages.

Takeaways and Results



JLA Analytics wants you to plan for the future, but as a company you need to focus on all the mentioned items to plan properly for Wage Projections and budgeting for the next 3 years in the future. We want you to be successful and plan accordingly, but until these items are taken into consideration.

Post Mortem

Difficulties

- Scrubbing the Data
- Locating and making sure we were able to find useful and applicable data to our original questions presented by our findings

Additional Questions

- Is it possible to parse this information and segregate industries even further to focus on specific areas, and industries?
- Is it possible to layer in actual company data and do a comparative analysis?

Additional Research

- We want to make this scalable for any industry and area, and make it easier for people to use and verify the information and customize it as they see fit.
- If more time was provided, we could make it a better user experience and upload and choose the best course of action that will present a regression analysis and suggestions for future budgeting and planning.

Questions?

About Us

June Beaver: Sr. Analyst, FP&A at Sysco Corp

Liz Martinez: Accounting and Corporate manager at Industrial Surplus Inc.

Andrew Au, MBA: Director of Accounting - Investments and Gifts at Baylor College of Medicine

Appendices

Appendix 1: Resources

Data / Datasets:

- Texas Labor Market Information: <https://texaslmi.com/>
- US Bureau of Labor Statistics: <https://www.bls.gov/>

Analysis and Research:

- Unemployment for Texas
 - Texas Workforce Commission:
<https://www.twc.texas.gov/news/texas-unemployment-rate-falls-65-percent-june>
 - Texas Tribune: <https://apps.texastribune.org/features/2020/texas-unemployment/>
 - YCharts - Unemployment Rate: https://ycharts.com/indicators/texas_unemployment_rate
 - Fred Economic Data: <https://fred.stlouisfed.org/series/TXUR>
 - National Conference of State Legislatures:
<https://www.ncsl.org/research/labor-and-employment/state-unemployment-update.aspx>
 - Economic Policy Institute: <https://www.epi.org/indicators/state-unemployment-race-ethnicity/>
 - Dallas Federal Reserve: <https://www.dallasfed.org/research/econdata/txu.aspx>
- Pay Rate fluctuations in Texas
 - Texas Tribune: <https://www.dallasfed.org/research/econdata/txu.aspx>
 - US Bureau of Labor Statistics:
https://www.bls.gov/regions/southwest/news-release/countyemploymentandwages_texas.htm
 - Payscale: <https://www.payscale.com/research/US/State=Texas/Salary>
 - Glassdoor: <https://www.glassdoor.com/research/remote-worker-pay-adjustments/>
 - Houston Chronicle:
<https://www.houstonchronicle.com/politics/texas/article/A-15-minimum-wage-would-mean-raises-for-3-5-15908703.php>
- Pay Rate Disparity and making improvements
 - SHRM:
<https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/developing-a-post-pandemic-pay-strategy.aspx>
 - International Labour Organization:
<https://www.ilo.org/infostories/en-GB/Campaigns/Wages/globalwagereport#introduction>
 - Bloomberg:
<https://www.bloomberg.com/news/articles/2021-03-08/pandemic-salaries-older-workers-are-more-afraid-to-ask-for-increases>
 - IBM:
<https://www.ibm.com/thought-leadership/institute-business-value/report/employee-expectations-2021>
 - US Global Leadership Coalition:
https://www.usglc.org/coronavirus/?gclid=Cj0KC0jw6ZOIBhDdARIsAMf8YyFCePDSEZJ1Dr-yPFW8d8qER0I1GYiyKIJ-p9Lzya30fAbntPbJIn0aAhmyFALw_wcB

Appendix 2: External Documents

- Github Link: <https://github.com/JuneB2021/Project1>
- Business Proposal:
<https://docs.google.com/document/d/1a7lgqcUkSeRXVMfBBJZ-PkvB9YD9FGuKkRz8lZ7r1ns/edit#>
- Presentation:
https://docs.google.com/presentation/d/1FRlvkCK5bk0mw7WUxCv6gO3xkAxPzXBMrMVSty1KveI/edit#slide=id.ge7df75780b_0_197