

Employment Update

Houston Finished 2011 with More Jobs

Houston performed better last year than first thought, finishing the year with 3,500 more jobs than the Bureau of Labor Statistics (BLS) previously reported. The upward bump in employment came from the annual benchmark revisions, a review process that starts each fall and ends with the release of the updated employment data in March. The initial reports are based on a survey sample of area employers. The revised job counts are based on data available from unemployment insurance accounts. In revising the data, BLS looks back over the previous 21 months. Because the review dates back to March '10 and Houston first began reporting job growth in February '10, the revisions provide a clearer picture of Houston's recovery.

- The recovery began in early '10.
- It accelerated in '11,
- The region recouped all jobs lost by November '11, and
- While employment exceeds pre-recession levels, several individual sectors continue to struggle.

The revisions provide a firm date for when Houston completed its recovery—November '11. That month, nonfarm payroll employment stood at 2,642,900. The previous peak was 2,628,300 jobs in December '08. Houston remains the first of the nation's 20 largest metro areas to emerge from the recession. Gains in temporary staffing, energy exploration and manufacturing helped Houston-area employers create 94,700 jobs from January 2011 to January 2012, a 3.7 percent gain per the Texas Workforce Commission.

Mining and Logging (e.g. Oil & Gas)

The recovery in this sector, which in Houston is predominantly oil and gas, began in January '10. BLS revised employment in the sector, down by 800 jobs. Even with the revisions, the sector added 9,100 jobs, a 10.9 percent increase over the year, which made it the fastest growing super sector. Mining and logging should continue adding jobs this year but not at the same pace as last year. While the rig count remains above 2,000, the unusually warm winter has curtailed demand for natural gas, which in turn has sent prices to their lowest level in 10 years. The lack of a winter draw down has kept inventories high. Low prices and high inventories may curtail drilling activity and well servicing opportunities in the coming months and thus temper employment growth in the energy sector.

Educational & Health Services

Not only did this sector never lose jobs during the recession, it performed better than first reported. BLS revised employment up by 6,300 jobs in this sector. Educational and health services now account for one in every eight jobs in the region.

Professional and Business Services

Revised estimates show architectural and engineering services added 3,900 more jobs than originally thought, a direct result of the increase in energy activity. Employment services added 10,700 more jobs than first reported, an indicator that firms continue to rely on contract workers rather than hiring full-time permanent employees. The sector as a whole has recouped 94.6 percent of the jobs lost in the recession.

Leisure and Hospitality

BLS revised leisure and hospitality upward by 2,700 jobs, the bulk of the revisions occurring in food services and dining places. Evidently, Houstonians tired of eating at home and returned to dining out sooner than anticipated.

Manufacturing

Employment in this sector peaked in November '08, bottomed out in March '11, and has since recouped 13,000 of the 29,500 jobs lost in the recession. The boom in drilling activity has boosted the demand for durable goods (industrial and oil field equipment, machinery, computers and fabricated metal products) and the workers needed to produce them. The weak housing market has reduced the demand for nondurables (in Houston, mainly chemicals and refined products) and the need for workers to produce them. BLS revised employment in durables up by 2,400 jobs and in nondurables down by 1,800 jobs for a net gain of 600 jobs. Manufacturing employment should continue to grow. With the Houston Purchasing Managers Index (PMI), a leading indicator of local production activity, at 59.6 in February, the outlook remains favorable for continued recovery in manufacturing.

Financial Activities

BLS revised year-end employment in this sector upward by 2,600 jobs, 2,100 in finance and 500 in real estate. Banks are reporting a modest uptick in loan demand and energy lending remains robust. The increased demand for residential, commercial and industrial properties translates into continued job growth in this sector.

Houston Leads All Other Texas Metro Areas

“The state created 258,200 new jobs January 2011 to January 2012, for a 2.5 percent increase. If it weren't for Houston – and with the mild exception of Dallas-Fort Worth – the Texas

economy would look very similar to the national economy,” said Barton Smith, Professor Emeritus of Economics at University of Houston. The unemployment rate in the Houston area was 7.2 percent in February, down from 7.6 percent in January. The Texas jobless rate was 7.1 in February compared to 7.3 percent in January. Houston is still by far the nation’s No. 1 large metro area for growth.

Texas Workforce Commission (TWC) released estimates showing that the Houston-Sugar Land-Baytown Metropolitan Statistical Area led all other Texas metro areas in job growth during the 12 months ending February ’12. Houston created 93,400 jobs, a 3.7 percent annual increase. The Dallas-Fort Worth-Arlington MSA ranked second with 79,400 jobs, a 2.8 percent increase, and Austin-Round Rock-San Marcos ranked third with 25,800 jobs, a 3.3 percent increase over the same time frame. While Houston’s bread-and-butter industries such as energy, manufacturing and healthcare are aggressive job generators, 42 percent of Houston’s growth during the past year has come from retailers, restaurants, and staffing services. Houston’s job growth would have been stronger if not for the current weakness in the public sector. TWC reports Houston’s private sector created 100,800 jobs over the past 12 months while the public sector lost 7,400 jobs. Private sector job growth was led by healthcare & social assistance, which added 22,800 jobs, professional & business services, which added 17,700 jobs, leisure & hospitality, which added 13,800 jobs; retail trade, which added 12,800 jobs, mining and logging (e.g., oil and gas), which added 9,100 jobs, and manufacturing, which added 8,900 jobs. Staffing firms are hotter than ever, adding 12,600 new jobs – a 21.4 percent year-over-year increase – during the past 12 months.

U. S. Bureau of Labor Statistics data shows a 9.8 percent jump in total wages and salaries in the Houston area during the third quarter of 2011 compared to the same period one year earlier. More people are working, they’re earning more, and the population is growing.

Nationwide Jobless Figures Improve

The number of people seeking U.S. unemployment benefits fell to a four-year low last week, suggesting employers kept hiring in March at a healthy pace. The week of April 2, 2012, applications for unemployment dropped 6,000 to a seasonally adjusted 357,000 per the Labor Department. That’s the fewest since April 2008. The downward trend is a promising sign ahead on March job growth. The unemployment rate nationwide in March fell to 8.2 percent from 8.3 percent in February.

The job growth has been more than 200,000 per month since December 2011 and the unemployment rate has fallen from 9.1 percent in August 2011. The private sector added 121,000 new positions in March, while government employment edged down 1,000. Manufacturing enjoyed another month of strong gains, with factories adding 37,000 new positions. In another sign of a strengthening recovery, the U.S. added 227,000 net jobs in February, the third consecutive month of gains more than 200,000. February’s growth was in manufacturing, professional services (law & accounting), hotels & restaurants, and mining.

Productivity Peaks Nationwide; Hiring May Follow

U.S. companies will have to keep hiring steadily to meet their customers' rising demand. Employers are finding it harder to squeeze more output from their existing staff. Per ADP, companies nationwide added 216,000 workers in February 2012. The year of 2012 will mark a turning point for the long-suffering job market and the economy. Applications for unemployment benefits have tumbled and consumer confidence is at its highest point in a year. Per a survey by Duke University's Fuqua School of Business, a confidence among U.S. Chief Financial Officers has risen to its highest point in a year. Companies expect to increase hiring for full-time jobs by 2.1 percent over the next year, up from 1.5 percent in December.

Sources: Greater Houston Partnership; Houston Chronicle; Houston Business Journal; MSNBC