

Employment Update

Houston – From Recovery to Expansion

2011 proved to be a good year for Houston. Oil never fell below \$75 a barrel, foreign trade grew faster than ever before, and by mid-October employment had passed its pre-recession peak. Houston has recovered all of the jobs it lost in the recession and there are more people working in exploration & production than ever before. It was the first of the nation's 20 major metropolitan areas to reach the pre-recession employment milestone and is now in expansion mode. Employment now exceeds its pre-recession peak in several sectors—oil and gas extraction, utilities, trucking, computer systems design, and health care. Those sectors will continue to grow next year. However, in construction and real estate employment remains where it stood a decade ago but show signs of significant improvement next year. Traditionally, three factors drive Houston's economy—energy prices, the strength of the dollar, and growth of the U.S. economy. In '11, high energy prices alone were enough. Houston added 79,500 jobs between October '10 and October '11, one in seven coming from the energy industry (upstream, downstream, equipment manufacturing). With each job in energy supporting an additional two to five jobs elsewhere in the economy, Houston owes much of its prosperity to the current drilling boom.

Sectors that Grew in 2011

- Hydraulic Fracturing— the pumping of sand, water and chemicals into a formation to ease the flow of oil to the well— created opportunities onshore at the time the Obama administration halted deep water drilling in the Gulf of Mexico.
- The drilling boom has supported growth in the Manufacturing of industrial equipment, primarily oil field equipment. Mining & Logging (oilfield services) grew 12.4 percent from September 2010 to September 2011.
- Commercial and Industrial Real Estate have begun to rebound. The office market has reported positive net absorption for five consecutive quarters. The industrial vacancy rate is at 5.9 percent, the lowest it has been in several years.
- The Administrative Support sector has grown primarily in the use of contract employees. Firms reluctant to hire fulltime staff are relying more heavily on contract workers to meet their labor needs in the recovery.
- The Health Care and Social Assistance sector also added jobs during the recession. Houston's population continued to grow, meaning the pool of patients grew, and it continued to age, increasing the need for health care services.

Outlook in Texas

The Houston jobless rate dipped to 8.1 percent in October from 8.6 percent in September. The statewide unemployment was 8.4 percent in October down from 8.5 percent in September.

A study by Forbes Magazine places Houston ahead of Austin and Dallas-Fort Worth as a mecca for technology jobs. Houston ranked No. 18, compared to Austin at No. 32 and Dallas at No. 46 out of 51 metro areas studied. Austin lost over 19 percent of its high-tech jobs over the past decade. Per the Forbes report, Houston is the No. 5 boom town – one of the metro areas best-positioned to prosper during the next 10 years – in the nation.

Shale Play Job Growth

“Obama took the Gulf of Mexico away from us, but God gave us the Eagle Ford shale. The decisions of where to drill, the people who are writing the checks, the people who are talking to their investors, who are making all the decisions – all the white collar jobs in the oil & gas industry – are going to be in Houston, and all the blue collar jobs are going to be out in the Eagle Ford shale”, per Patrick Jankowski, VP of Research at Greater Houston Partnership. The growing presence of several heavyweight Houston energy companies (Halliburton, Weatherford, and Baker Hughes) building operational centers to support the burgeoning Eagle Ford shale play has turned a tiny slice of rural land near San Antonio into the region’s fastest-growing job center. International oilfield services giant, Schlumberger, is scouting South Bexar County for a “super-site” to service drilling operations in the shale. Shale activity will support nearly 68,000 jobs in South Texas by 2020, around 3,900 of those in Bexar County.

Groundbreaking technology in the energy industry focusing on extracting oil & gas from shale formations has opened up opportunities for chemists. Per Andy Talkington, Global Sector Leader in the Chemicals Division of Korn/Ferry International, chemists and chemical engineers should expect to see job opportunities jump as much as 20 percent just from work related to shale activity.

A nationwide boom in natural gas production is set to fuel nearly 900,000 jobs and add roughly \$1,000 to annual household budgets by 2015. The boom in shale gas production nationwide – exemplified by modern-day drilling boom towns that have sprung up in Pennsylvania, North Texas and western states – is a bright spot in the U.S. economy said John Larson, VP of IHS Global Insight an energy research firm. Shale gas production nationwide supported 600,000 jobs in 2010. In September, Baker Hughes said it would add 2,000 U.S. workers and Halliburton is on track to bring 12,000 new employees on board this year. A staffing crunch has caused the industry’s salaries to surge and recruiters to embrace new tactics in search of the narrow pool of candidates who have the skills to work and manage the technical and gritty world of oilfield services. Average hourly earnings are up 40 percent over the past decade for non-supervisory workers with an average of about \$28.13 per hour in oil & gas

extraction according to the Bureau of Labor Statistics. It's one of the few industries where you don't have to have a college education and you can still make \$100,000 a year. A shortage of talent is causing some recruiters to look outside the region for qualified engineers, geologists, and technicians. Baby Boomers are starting to retire in flocks, some oilfield companies expect to lose up to 25 percent of middle and senior management in the next five years. Baker Hughes launched two mobile recruiting offices – RVs equipped with interview rooms heading for outlying communities and turned to the armed forces and aerospace industry to attract skilled workers into the business. Military personnel have the mechanical training and discipline necessary for oilfield jobs and the space shuttle program has left a pool of workers with technical skills.

U.S. Employment

Somehow the U.S. economy appears to be getting better, even as the rest of the world is looking worse. The U.S. unemployment rate unexpectedly dropped last month from 9 percent most of 2011 to 8.6 percent, its lowest level in 2 ½ years. The unemployment rate fell partly because 315,000 workers dropped out of the labor force but the nation's employers modestly increased their hiring too. Companies nationwide added 120,000 jobs last month after adding 100,000 in October. A recent survey of small businesses (employ half of the nation's workforce) found hiring intentions to be at their highest level since September 2008 when Lehman Brothers crashed, per Ian Shepherdson, Chief U.S. Economist at High Frequency Economics.

Houston Job Gains Predicted for 2012

The Greater Houston Partnership's forecast calls for the Houston metro region to add 84,600 jobs next year, with private sector gains far more than offsetting public sector losses. Houston added 79,500 jobs between October 2010 and October 2011 – one in seven of those directly related to the energy industry. The factors that drove job growth in '11—high energy prices, advances in exploration technology, strong demand for Houston's exports, a weak U.S. dollar, and immigration of residents from other places, both domestically and abroad—will drive the economy again next year. The greatest gains in 2012 will come in the following sectors:

- Manufacturing will be expected to show the greatest job gains with 11,700 jobs due to the drilling boom.
- Business, Professional, & Technical Services sector (includes accounting, legal, architectural, & engineering services, computer systems design, marketing, advertising, & management consulting) is expected to accelerate adding 10,700 jobs.
- Administrative Support Services (employment services) will add 10,800 jobs.
- Hydraulic fracturing— Oil field service companies have backlogs for hydraulic fracturing that extend well into 2013.

- Energy sector is expected to add 3,100 exploration & production jobs and 3,200 oilfield service jobs next year even with a tight labor market. Both numbers could be higher if drilling activity picks up in the Gulf of Mexico.
- Chemicals & Plastics Manufacturing will grow due to the low price of natural gas, especially in products destined for export. In the U.S., natural gas is the primary feedstock for chemicals and plastics.
- Health Care employment will continue to grow in Houston, but not at historical rates. The sector will add 10,300 jobs in 2012.
- Real Estate sector will do somewhat better, adding 1,700 jobs.
- Finance and Insurance sector is projected to grow by 1,600 jobs next year.

Construction of Exxon's new campus near The Woodlands will support a substantial number of jobs and spur additional development in the area. Though Exxon won't disclose the value of the project, local experts place the value at \$900 million to \$1 billion.

Long Term Outlook for Houston

Though Houston faces some challenges in the near term, the long-term outlook is bright. The challenges are those of managing growth rather than economic stagnation. From '10 to '35, The Perryman Group sees Houston leading the state in population growth, adding 3.37 million residents and 1.43 million jobs, and accounting for almost one-fourth of Texas' job growth. The Texas State Data Center forecasts the Houston metro area will gain another 600,000 residents over the next five years. The long-term outlook for the Houston metro area is positive, and steady, healthy growth will be the norm for Houston for the foreseeable future.

Hiring Source Update

Hiring Source would like to announce the acquisition of a tract of land for the construction of an office building for our firm. A 5,000 square foot lot was purchased at 919 W Gray near Montrose. Allegro Builders has been hired to construct the building and anticipates having the project complete for move-in by spring or summer 2012. Thanks to all of our clients for your loyal support that has made this dream possible.



Investigations & Compliance

Interviewing Techniques: 2 Is Better Than 1

As Human Resource professionals, there is no doubt that we always have a lot going on. New hires, benefit changes and open enrollment, annual reviews, training and yes, employee investigations. In the hustle and bustle, we can sometimes forget the importance of conducting employee investigations and the weight that the investigation interview can have on the overall outcome of the investigation. We may also be limited on resources and may not have the luxury of having an additional interviewer to assist us in conducting investigations. But when and where possible, the primary interviewer should have a second interviewer assist in all employee investigations. This second interviewer should be another human resources, internal audit, security, compliance or legal employee. It should never be the employee's supervisor or another co-worker. Having someone other than an official company representative sit in as a secondary interviewer could lead to additional risks of defamation. But assuming you have the right person, here are some benefits and risks of having a second interviewer in the room.

Benefits of a Second Interviewer

- A second interviewer can assist in taking notes that either frees up the primary interview to spend more time observing non-verbal behavior, or, the secondary interviewer can be tasked with observing. Nearly half of our communication as human beings is non-verbal and many signs of deception can be easily observed if the interviewer is paying attention.
- A second interviewer can serve as a witness to questions asked and responses made by the interviewee. Don't be fooled, employees who are facing possible disciplinary action and/or termination have been known to make false accusations against investigators and change their stories after the fact. If a second interviewer is not present and allegations are made or stories change, the organization risks refereeing a he-said/she-said instead of focusing on the facts of the case.
- A second interviewer can also take control of the interview if the interview is failing to respond to the primary interviewer. Some people just don't get along or communicate well with one another. Having a second person who can step into the primary interview spot could prove valuable, especially if the interview is a significant one.
- The last benefit is that there is safety in numbers, both physically and psychologically. With two interviewers, there is also another person there to get help or assist if a struggle breaks out, which we hope is very rare. Secondly, having another person in the room can give the primary interviewer confidence in asking sensitive questions, especially when the topic is sensitive in nature or the interviewee is intimidating. Lastly, when the interviewee sees two targets, this may subconsciously encourage them to cooperate.

- Learning how to interview effectively can be a tough skill set to learn on your own. Utilizing a second interviewer system allows lesser experienced interviewers learn from more experienced interviewers. Post interview, both can discuss what went well and what could be improved in future interviews.

Risks of a Single Interviewer

- A single interviewer is relegated to taking the interview notes by themselves. When they look down to document, they could miss non-verbal cues such as a smirk, roll of the eyes, or body shift.
- A single interviewer also has a higher risk that they may misinterpret or miss completely certain statements by the interviewee. A second interviewer helps give another set of ears to the interview process.
- One of the worst situations an interviewer can find themselves is on the receiving end of false allegations coming out of an interview. The false allegations could be the way the interviewer handled the interview, made promises, or made certain threats and coerced the interviewee to comply. Another risk is the interview statement that changes after the interview and the interviewee states "I never said that, you misunderstood me." Going it alone as an interviewer is risky when factoring in these risks.
- As mentioned above, some people just don't get along, and they will never get along. Like gas and matches, some interviews are destined to fail before the first word is spoken. This proves challenging when the interviewee is a witness to events, or is someone with pertinent information with whom the interviewer must communicate with.

However you decide to manage your interview process, make sure you weigh the pros and cons of utilizing a one or two interviewers. There is definitely risk and reward involved in both options. For more information about Employee Investigations and Compliance, you can contact Ryan Hubbs CFE, CIA, PHR, CCSA, Senior Manager, Matson Driscoll & Damico LLP at rhubbs@mdd.com or 713-621-3010.

Sources: Greater Houston Partnership; Houston Chronicle; Houston Business Journal; Forbes Magazine; Ryan Hubbs, Senior Manager, Matson Driscoll & Damico LLP