Local Job Growth Forecast

The Greater Houston Partnership forecasts that metro Houston will create 29,700 jobs in 2017. That's a 1.0 percent annual growth rate. Over the past 25 years, Houston's growth has averaged 2.1 percent per year. In a healthier economy, Houston would create 50,000 to 60,000 jobs per year. The region, however, created only 15,200 jobs in 2015 and is on track to have created about 22,000 in 2016 (year-end data is due later this month). Those figures pale in comparison with the 117,800 jobs in 2014.

The Partnership's employment forecast calls for growth in manufacturing, wholesale trade, retail trade, finance and insurance, real estate, business, professional and technical services, educational services, health care, administrative services, arts and entertainment, hotels and food services, other services, and government. The forecast calls for job losses to continue in energy exploration and production, oil field services, construction and information.

Energy Labor Force Drops

Nearly 90 percent of oil and gas workers who lost jobs during the oil bust either remain unemployed or have left the sector for other industries, dramatically altering the size and shape of the global energy workforce, according to a University of Houston study. The findings could be bad news for the companies that laid-off employees by the tens of thousands in recent years. Roughly one in four laid-off energy workers have found jobs in other industries, and many more might follow and leave the industry for good, which means oil and gas companies may face labor shortages as oil prices rise, slowing the pace of drilling, as well as the recovery in the industry and regional economy. More than 60 percent laid off in the past two years are still unemployed, and 55 percent said they're considering giving up on oil and gas work entirely.

The oil bust began more than two years ago. After crude prices peaked near $107 a barrel in June 2014, they started to slide, plunging to a low of about $26 a barrel in February 2016. More than 215,000 U.S. energy workers lost jobs – including about 100,000 in Texas – and many of those workers may never return to the industry. Only 13 percent of participants in the University of Houston's study said they have found work again in oil and gas. The permanence of people leaving the industry translates into high recruitment and training costs for companies as they may be forced to hire workers with no energy experience. Even before the recent downturn, the energy sector was still grappling with a generational skills gap that resulted from people avoiding the industry after the 1980s crash, as well as a recent wave of retirements. The workers over 50 years old who lost their jobs seemed the worst off, with fewer new job opportunities, according to the study. The median age of those surveyed was 53. Nearly 90 percent were male, and 87 percent were white, and almost 75 percent had college degrees.

New Jobs Likely for Texas

Economists say the Texas economy could pick up a bit after two slow years. Texas employers should bring on about 242,000 jobs this year, about 25 percent more than last year, the Federal Reserve Bank of Dallas said. As oil prices rose and the energy industry stabilized, Texas gained jobs consistently from July to November averaging 25,000 new jobs a month, compared with a rockier first half of the year, which included a net loss of 11,700 jobs in March, the month after crude prices hit a 12-year low of $26 a barrel. "It's safe to say we're going to add jobs, and probably a significant number" in the energy industry this year, said Karr Ingham, an economist who studies the Texas oil industry. He estimates Texas oil companies added just 1,000 jobs in the past three months after cutting 102,000 over the previous two years, but those gains could accelerate if oil prices hold around $55 a barrel.

Wage Growth for U.S.

The economic recovery is finally showing up in the average U.S. worker's paycheck in a big way. There have been plenty of winners in the recovery, which began in mid-2009: companies, homeowners, investors and, especially, households at the apex of the economic pyramid. But the scarcity of gains in take-home pay has stoked anxiety and frustration for many others, a factor in the wave of discontent that President-elect Donald Trump rode to victory in November. But even as Trump prepares to succeed President Obama, the Labor Department reported that average hourly earnings rose by 2.9 percent last year, the best annual performance since the recovery began. And many economists expect the trend to gain momentum this year, as a tighter labor market forces employers to pay more to hire and retain workers. "This is a turning point for the overall economy," said Diane Swonk, a veteran independent economist in Chicago. While wage growth was robust last year, government data for December showed a more tepid increase in employment, with 156,000 jobs added during the month, and a slight uptick in the unemployment rate to 4.7 percent.

Until recently, a rise in salaries one month would peter out the next, but the upward trajectory in 2016 reflects wage gains even for Americans at the low end of the pay scale, Swonk said. Leisure and hospitality workers saw hourly earnings jump 4.4 percent from a year earlier, equal to the increase enjoyed by employees in the surging technology sector. Economists expect wages to rise by up to 3.5 percent in 2017 – still below the gains many workers saw in the recovery of the mid-2000s, and in the tech-fueled boom of the late 1990s. Although not reflected in the December figures, many low-wage workers are getting raises this year because of state increases in the local minimum wage, with Arizona, Maine, and Washington each raising the floor by $1.50 or more an hour. Monthly job creation last year was well below the 236,000 average for hiring in 2014 and 2015. But with the economy close to what Fed policymakers and other experts consider full employment, employers are increasing wages to retain workers and to attract new ones. While the minimum wage increases provide a floor when it comes to pay, the ceiling continues to rise in fields like financial services, sales and technology.

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