Near Record Year for Houston

Houston area employers created 104,700 jobs in 2014, a year-over-year growth rate of 3.6 percent, according to data revisions released in early March by the Texas Workforce Commission (TWC). That's down from the 120,600 jobs TWC previously reported for the year. Even with the revision, 2014 still ranks as one of the best years on record for job creation and places Houston among the nation's fastest-growing big cities, said Barton Smith, professor emeritus of economics at the University of Houston.

ANNUAL JOB GROWTH - METRO			
Year	Jobs	Year	Jobs
1991	-8.100	2003	-11,600
1992	18,700	2004	39,300
1993	44,300	2005	91,100
1994	53,400	2006	107,000
1995	54,400	2007	90,700
1996	53,000	2008	21,600
1997	106,000	2009	-110,600
1998	92,800	2010	49,700
1999	17,800	2011	82,900
2000	59,700	2012	118,500
2001	1,300	2013	89,900
2002	-1,700	2014	104,700

A handful of sectors accounted for half of all jobs created—construction(16,700), professional and business services(15,600), restaurants (13,100), healthcare (10,400), wholesale(8,200) and retail (6,100). Construction benefited from the $8.7 billion in permits the City of Houston issued in '14 and the tens of billions in chemical plant construction occurring in the region. Growth in population, income and consumer confidence drove wholesale, retail, healthcare and restaurant employment. The expansion of the energy sector supported job gains in professional services.

As for what's ahead, Smith believes Houston is headed for a significant downturn this year. After adding jobs at a rate close to 4 percent of the past year, Smith believes Houston will grow only a little bit more than 1 percent in 2015. That represents about 30,000 to 40,000 new jobs. Oil and gas exploration and production and manufacturing will lead the way in term of job losses. Next will be the construction industry. Office space is already becoming overbuilt, and once those construction projects are finished, there won't be as many other opportunities because of growing occupancy levels in the office market. At the same time, some key business service providers such as architecture and engineering also will become dragged down by the slowdown in energy and construction. But other sectors will grow this year, such as education, which hasn't kept up with the population growth during the past three years. Retail will also continue to expand to keep up with the surge in newcomers.

Forbes' Ranks Houston's Labor Market No. 2

Despite recently announced job cuts from several of Houston's top energy companies, the Bayou City's labor market still ranked No. 2 in the nation on Forbes' most recent list that factored in employment levels, unemployment rates, projected growth, job listing growth, and the availability of well-paid new jobs.

Another Day in Texas' Oil, Brings New Pain

The oil boom that boosted Texas' economy for nearly half a decade is over, and it may take the business as much as two years to recover. And just as the industry surge brought good times, the downturn will cause economic pain in Texas, North Dakota and other regions that have benefitted from the boom. The price of oil, the number of drilling permits issued by the state, and the count of rigs operating in Texas are declining, and employment numbers are in line to dive too. In December, the state had a record 311,400 upstream oil and gas workers – those whose jobs involve searching for oil or bringing it out of the ground. Karr Ingham, an economist, told the Texas Alliance of Energy Producers last week, he expects a loss of 50,000 Texas upstream jobs as the oil industry contracts, plus the loss of 250,000 or more Texas jobs indirectly connected to oil and gas. Across the United States, employers blamed 19,220 planned job cuts in February on falling oil prices – about 38 percent of all layoffs announced during the period, according to Challenger, Gray & Christmas. So far this year, Texas has led the nation in planned job cuts, with more than 42,500 lay-offs announced in January and February.

Hundreds of Texas lay-offs, two bankruptcies of Houston oil companies and a warning about unsustainable debt marked more pain for an industry reeling from the effects of falling crude oil prices.

- Halliburton, oil field service giant, became the first to shrink its workforce by cutting 6.5 to 8 percent of its global workforce, equaling 5,200 to 6,400 jobs, including 1,000 it had announced earlier.
- Schlumberger, Baker Hughes and Weatherford have announced lay-offs totaling 24,000.
- FMC Technologies, equipment maker, will cut 2,000 workers, 10 percent of its global workforce, mostly in North America.
- Marathon Oil cut roughly 400 jobs, more than 10 percent of workers, reducing capital spending by about 40 percent.
- Dresser-Rand Group, diesel engine and gas turbine maker, will cut 8 percent of its 8,100 employee worldwide workforce. The company said the market outlook, not the pending merger with Siemens, prompted the lay-offs.
- Nabors Industries, rig contractor, cut 12 percent of its 29,000 employees, roughly 3,500 jobs.
- Enable Midstream Partners LP eliminated about 200 jobs, mostly in Houston and Oklahoma, 10 percent of workforce.
- Ensco PLC is cutting several hundred jobs, 15 percent of its onshore workforce.
- EOG Resources is slicing capital spending by about 40 percent.
- Noble Energy is also slashing capital spending by 40 percent.

- Parker Drilling cut 270 jobs, 8 percent of its workforce, and could cut 70 more by midyear.
- Key Energy Services reduced its functional support staff by 25 percent and was closing service facilities.
- MRC Global cut 500 jobs, including 230 last year, and more could be on the way, reducing capital spending by more than 35 percent.
- Archer, oil field service company, plans to cut 1,000 jobs, 11 percent of its global workforce.
- Tenaris SA eliminated 230 jobs in Conroe.
- Oil States International laid off an unspecified number of workers.
- Technip and Akers Solutions, two European equipment makers with their main U.S. offices in Houston, announced job cuts totaling 2,100 mostly in Europe.
- Cal Dive, an offshore oil services company, filed for Chapter 11 bankruptcy protection.
- Dune Energy, a small oil and gas producer, filed for Chapter 11 bankruptcy protection in federal court March 8, 2015.
- BPZ Resources, another small oil company, did the same March 9, 2015.
- GasFrac Energy Services, a Canadian company filed for bankruptcy in January.
- Endeavour International, oil producer, filed for Chapter 11 bankruptcy protection in October.
- Lucas Energy, a producer which has properties in the Eagle Ford, said it had defaulted on a debt payment due in December. Per regulatory filings, they had $9.8 million in liabilities and $1.1 million in assets at the end of September.

And more oil companies also could be facing financial headwinds brought on by mounting, high-cost debt, according to a new report by Fitch Ratings. The credit ratings firm warned that the level of high-yield debt in the energy sector today mirrors that of the telecommunications industry before it crashed in the early 2000s.

The world is oversupplied with oil, owing to at least three factors – slowing international demand growth, a surge in U.S. production tied to advances in tapping dense shale formations, and the November decision by the Organization of the Petroleum Exporting Countries to maintain its production levels. Oil companies have been producing almost 1.5 million barrels a day more than the world is consuming for at least a year. After OPEC said it would not cut production to keep prices high, traders sent the price of Texas crude down 50 percent compared with last year. Low prices mean less revenue, so oil companies cut budgets, laid off employees, and drilled fewer wells. The Baker Hughes count of oil-directed rigs has dropped from 1,609 in October to 922 last week. But oil companies still need cash flow, so they keep existing wells pumping. U.S. oil production averaged 8.7 million barrels a day in August when the price slide began, according to the U.S. Energy Information Administration. The agency predicts U.S. production will average 9.3 million barrels a day in 2015, 9.5 million barrels in 2016, and 9.6 million barrels a day in 2017. That oil must go somewhere. Lately, the excess has been going into storage tanks, where oil companies and traders hold it to sell later at higher prices. Those facilities are filling up, though, and the agency reported the inventory has reached an all-time high at 448.9 million barrels, with 4.5 million barrels added the week of March 6 alone. That's about a 30-day supply of the current demand at U.S. refiners. But paying for storage requires confidence that prices will rise high enough to cover those expenses. The oil futures market is not encouraging. On Friday, March 13, 2015, the price of WTI for April delivery on the New York Mercantile

Exchange was $44.84 a barrel. The price for September delivery was $52.50, and the price for March 2016 is only $56.33. The futures price doesn't break $61 a barrel for the next two years. In recent conference calls, many CEOs have said they are drilling wells but they are holding off on completions, the final step that gets oil or natural gas flowing. Completions represent more than 40 percent of the cost of a well, so holding off on the completion can save the company money in the short term while meeting lease requirements that they drill. Analysts at Houston investment bank Tudor, Pickering and Holt forecasted on Wednesday, March 11, 2015, the prices will rise to $80 a barrel in early 2016. Ingham said it will take at least a year for production to shrink enough to affect oil prices. He said U.S. producers are, in a sense, victims of their own success since they flooded the market with crude in recent years.

Oil Patch Risks Missing Reservoir of New Talent

Until just a few months ago, oil companies had spent years complaining they couldn't find enough qualified workers to fill their ranks. Today, some of those same companies are shedding employees rapidly. Nearly three dozen oil and gas companies visited Texas A & M University last spring to recruit students from its prestigious petroleum engineering program. This year, the school expects three. Meanwhile, companies have rescinded job offers to some students, and others are worried about whether they'll have jobs lined up when they graduate. "The industry never quite learns its lesson," said Dan Hill, who chairs the school's petroleum engineering department.

Advertisements in Houston seeking the engineering talent fell by 43 percent in January compared to the same month in 2014. Much of the drop occurred since September and closely tracked the fall of oil prices from September to January. The drop in ads for oil industry professionals suggests that companies are reducing hiring even if they're not among the many that already have laid off tens of thousands of workers around the world in the face of the oil price downturn.

Massive job losses during the oil bust of the 1980s drove a generation of young workers away from careers in the industry, and that's left a gap today. At workshops and in white papers, the oil industry has long fretted over what it calls the "great crew change" that will result when its baby boomers retire, leaving a shortage of workers to take their place, especially in the leadership roles. But if the industry isn't careful and isn't strategic with job cuts today, it could deepen its future workforce challenges, said Mike Grojean, a leadership consultant and adjunct professor at Rice University. The oil industry isn't helping itself with its response to the slowdown at a time when it's still trying to promote itself as a destination for skilled workers.

U.S. Job Market Likely to Keep Delivering

Even after the most vigorous three-month hiring spree in 17 years, U.S. employers are showing few signs of letting up. Job growth for February might not match the furious pace of November and January, when 1 million positions were added. Harsh winter weather likely discouraged some hiring. Yet economists foresee a solid job gain of 240,000 and a drop in unemployment to a near-normal 5.6 percent – evidence of a job market that continues to outshine others around the world. "People are pretty

optimistic, about the U.S. economy, and they're hiring" said Frank Friedman, interim CEO of Deloitte, the consulting firm that counts 80 percent of the Fortune 500 as clients. A bright outlook among employers has translated into a robust average of 268,000 jobs added monthly over the past 12 months. That means there are 3.2 million more Americans earning paychecks now than at the start of 2014. That additional income, along with sharply lower gas prices, has left more Americans able to spend.

It also helps explain why the unemployment rate has sunk so far below the 10 percent peak it reached in 2009 even though the economy isn't growing as fast as it often has during expansions. In addition, many Americans who lost jobs in the recession have retired or given up looking for work and are no longer counted as unemployed.

The steady hiring may also finally be forcing wages up. Average hourly earnings rose 0.5 percent in January, the most in six years. Economists did caution against reading too much into one month's figure. Most expect a more modest average wage gain in February.

Sign of Strength: More Are Quitting Jobs Nationwide

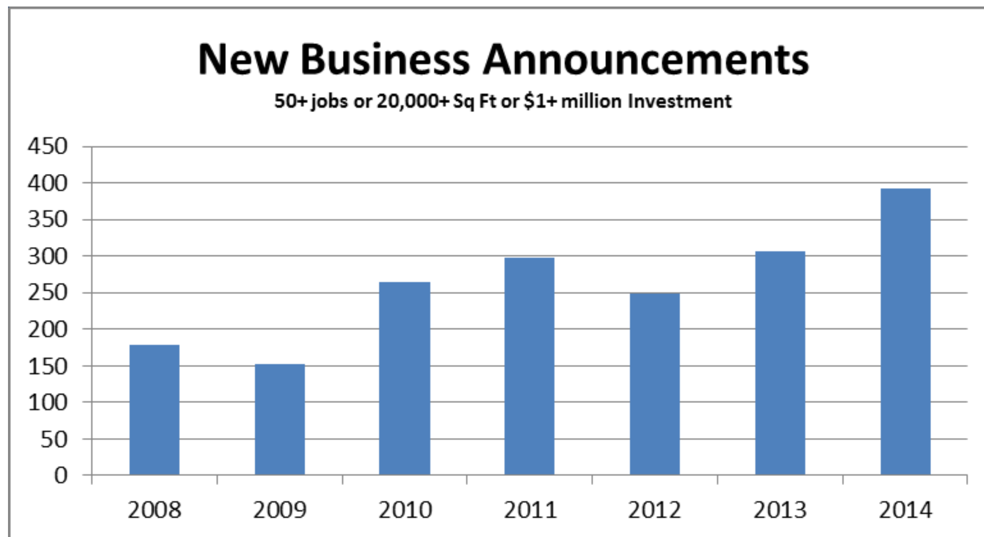
Quitting your job – all but unheard of during and after the Great Recession – is becoming more common again. That could mean pay raises are coming for more Americans. The trend has already emerged in the restaurant and retail industries, where departure numbers and pay are rising faster than in the overall economy. Workers in those industries appear to be taking advantage of rising consumer demand to seek better pay elsewhere.

Workers who quit typically do so to take higher-paying jobs. That's why rising numbers of departures typically signal confidence in the economy and the job market. As the trend takes hold, employers are often forced to offer higher pay to hold on to their staffers or attract new ones.

The Labor Department said March 10, 2015, that the number of people who quit jobs rose 3 percent from December to January to 2.8 million – the most in more than six years. Departures have jumped 17 percent of the past 12 months. Frank Friedman, interim CEO at Deloitte, says his firm's clients are increasingly struggling to retain employees. The biggest problem for many businesses is talent retention. Wages are a critical component of it. The balance of power has changed in favor of the employee.

Houston # 2 for Corporate Relocations & Expansions

For the second consecutive year, *Site Selection* magazine has ranked Houston second among U.S. metros for corporate relocations and expansions. Chicago ranked first; Cincinnati ranked third. To qualify as a relocation or expansion, a project must meet at least one of three criteria: involve a capital investment of at least $1 million; create at least 50 new jobs; or add at least 20,000 square feet of new floor area. *Site Selection* does not include retail stores, government projects, schools or hospitals in its rankings. Over the past five years, more than 1,500 companies have announced significant projects in the region.



Meet the Millennials

Houston is one of the fastest-growing cities for Millennials (16 to 32 years old), and that is going to change every aspect of how your company does business. This generation is well-educated and well-paid. Millennials view work-life balance differently. Technology flows through their veins. This means businesses must offer different benefits, change office communication and layout, rethink how they recruit and reconsider nearly everything else.

For the Millennial, a work environment isn't defined by a big corner office and a solid oak desk. Instead, it's a collaborative environment, one that allows people to work together with fluidity and outside a conference room. For the employee, the open space allows for a more unstructured work environment.

Technology and Millennials go hand in hand. They've been raised with the newest gadget at arm's reach, and it's been an integral part of their education. Whether it's cellphones, tablets, or other gadgets, Millennials see the latest technology as a tool to accomplish a goal. In the past two years, telecommuting has increased more than 100 percent, according to U.S. Census Bureau data. Millennials typically are much more comfortable corresponding via text or email, and they can find in-person conversation time consuming. It all comes down to more flexibility in the workplace.

Here are four steps you can take that will make your company more attractive to the next generation.

1. Provide Competitive Healthcare Benefits
2. Offer a Wellness Program
3. Consider Their Influencers (friends, manager, parents, or workplace mentor)
4. Reconsider Your Work Environment

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