

Houston's Employment Growth

Over the past few years, Houston has endured painful layoffs and enjoyed robust employment gains. The pendulum of Houston's economy has swung from one extreme to the other over the past six years. The region lost 108,800 jobs in 2009, created 115,400 in 2012, and slipped to 76,200 jobs added last year. From January 1990 to December 2013, nonfarm payroll employment grew by 1.15 million. That's more than the current nonfarm payroll employment in Austin, Amarillo and Abilene combined. The 1.15 million equates to 44,000 jobs per year, or a 2.3 percent CAGR.

The Houston-Sugar Land-Baytown Metro Area added 80,100 jobs in the 12 months ending March 2014, a 2.9 percent annual growth rate. Though the region's job growth is slower than this time last year (4.1 percent for the 12 months ending March 2013), Houston continues to outpace the nation and most of the nation's large metro areas. Houston ranks third, behind Miami and Dallas. Nearly all key economic sectors added jobs during the past year. Since the bottom of the recession, Houston has added 371,500 jobs, or 2.4 jobs for every single job lost in the recession. Only two other metro areas have created more jobs: New York (551,700) and Los Angeles (449,200). While New York has recouped its recession losses, Los Angeles remains 172,600 below its pre-recession peak. Houston's nonfarm payroll employment stood at 2,847,200 in March, the highest point in the region's history. Houston's employment exceeds that of 35 states and the District of Columbia.

A few key sectors that are growing:

- As the energy industry settles into slower and more stable growth, the rest of the local economy continues to play catch-up. The growth rate for oil & gas exploration and production has been hovering in the 4.5 to 5 percent range for the past six to eight months, which is a very good rate. Employment in oil field services ticked up. The sector added 2,200 jobs, a 4.8 percent increase, in the 12 months ending March 2014. Growth had stalled until recently. The sector added only 800 jobs in all of 2013. As oil field services are part of Houston's economic base, and growth in the base supports job growth elsewhere, it's important that this sector is growing again.
- Secondary sectors such as retail trade and construction continue to play an important role in Houston. Those sectors depend upon the growth of the base industries such as energy and manufacturing to bring in new revenue.

- Chemical manufacturing added 1,500 jobs, a 4.3 percent increase in the 12 months ending March 2014. This sector is also part of Houston's economic base, so growth here portends job growth elsewhere in the economy.
- Health care and social assistance added 4,100 jobs, a 1.4 percent increase, over the past twelve months. This was the weakest growth for health care since September 2008.

The Greater Houston Partnership's forecast calls for 2.5 percent growth this year. BBVA Compass Chief Economist Nathaniel Karp pegs Houston's growth at 3.5 to 4 percent over the next two years, propelled by higher-paying jobs, an influx of smart workers in key industries and the continued growth of traffic through the Port of Houston. Growth in the biotech sector and infrastructure improvements will also keep the Houston economy humming along. Houston's already strong healthcare sector – second only to energy – will benefit from an aging population. South American economies growing at 5 percent and Chinese manufacturers' preference for Houston over Long Beach, California, will keep the port humming. As for the rest of Texas, Karp sees the state growing at 3 to 3.5 percent, down from 4 percent during 2010-2013. The one exception will be the border region on the Eagle Ford Shale play.

Houston's Unemployment Rate

In March 2014, Houston's unemployment rate stood at 5.2 percent, down from its June 2011 recession peak of 8.8 percent and from February when it was 5.7 percent. Houston's unemployment rate never hit the double digit rate of the U.S. because the region did not suffer the magnitude of job losses the rest of the nation endured. This performance can be attributed to a variety of factors—the quick recovery of the oil and gas industry, the lack of a local housing bubble (thus the lack of a housing bust), and the strength of Houston exports to overseas markets. As Houston's unemployment rate has fallen, the labor market has tightened and skills shortages have emerged. At first, employers reported shortages of highly skilled workers, such as engineers and geologists. Now middle-skilled workers, such as pipefitters, welders and electricians, are in short supply. As the unemployment rate continues to fall, employers will start to experience shortages of workers with more basic skill sets.

Since January 1990, the region's unemployment rate has averaged 6.0 percent. The low was 3.5 percent in December 2000 and the high was 8.8 percent in June 2011. Over the past two and a half decades the unemployment rate has spent 130 months in the 5.0 to 6.4 percent range. This suggests the current 5.2 percent rate is probably at the low end of normal, the labor market is about to tighten, and employers will soon feel upward pressure on wages, if they haven't already. Many economists consider "full employment," to be in the neighborhood of 5.5 percent. The statewide rate dipped to 5.5 percent in March, down from

February's rate of 5.7 percent. The U.S. unemployment rate was 6.7 percent in March.

Forbes List of Best Big Cities for Jobs 2014

Houston held onto its No. 5 spot on Forbes' latest listing of the best cities for jobs. To compile its list, Forbes ranked all 398 metropolitan statistical areas using Bureau of Labor Statistics data from November 2002 through January 2014. The ranking is based on five factors: recent (current and prior years') employment growth, mid-term growth (average annual 2008-2013 growth rate), long term trend and momentum, current year growth and the average of each year's growth rate for the past 10 years. The Houston area recorded 2.83 million jobs and growth of 3 percent in 2013. Its growth rate from 2008 to 2013 was 8.4 percent. It also held the No. 5 position on the 2013 list, down from No. 2 on the 2012 list. The tech meccas of Silicon Valley and San Francisco snagged the top two spots. Meanwhile, Austin jumped from No. 10 last year back up to No. 3 this year. It placed No. 1 in 2012.

Forbes List of America's 100 Most Trustworthy Companies

Forbes Magazine listed seven Houston companies on its 2014 list of "America's 100 Most Trustworthy Companies," an improvement over last year when only two local companies made the list. The list, created by risk management company GM Ratings, ranked publicly traded companies based on financial information, regulatory filings and stock data, among other data points. The following Houston companies were recognized: Benchmark Electronics Inc., Cabot Oil & Gas Corp., Comforts Systems USA Inc., Exterran Holdings Inc., Knight Transportation, Oceaneering International, and Team Inc.

Energy Industry Energizes Local Pay

A fresh batch of government data released April 25, 2014 confirms the obvious: Houston is awash with petroleum and marine engineers, geological and petroleum technicians, pump operators, rotatory drill operators, tank car loaders, roustabouts and other energy workers. But the interactive report from the U.S. Bureau of Labor Statistics also quantifies the dramatic impact those jobs have in boosting local pay above the national average. Houston has 17 times the average number of petroleum engineers in a U.S. city, and the job here paid an average salary of \$163,490 last year. The city's geologists – nearly 10 times as many as in other cities – earned even more. The job, which uses knowledge of geology, physics and math to explore for oil, gas and minerals, paid an average of \$167,530. Houston is benefitting from strong growth in three key sectors – oil and gas exploration and production, construction, and manufacturing. Many

of these jobs pay higher-than average wages yet don't typically require a college degree. Houston, for example, has six times more refinery operators than the average U.S. city. The job last year paid an average yearly wage of \$62,450. The city also has nearly six times more derrick operators, who earned an average of \$49,540. Across all occupations, the average hourly wage in the Houston-Sugarland-Baytown region was \$23.96 in May 2013, according to the labor statistics bureau, which compiled the data on wages and number of workers in some 700 jobs in the U.S. cities.

U.S. Adds 288,000 Jobs in April as Unemployment Rate Drops

The labor market heated up last month, producing a bumper crop of 288,000 new jobs – the most in more than two years – and easing fears that winter slowdown in hiring foreshadowed another downturn in the uneven recovery. The surge in hiring, reported by the government Friday, May 2, 2014, pushed the number of unemployed workers below 10 million for the first time since the 2008 financial crisis. The unemployment rate fell sharply to 6.3 percent, the lowest level in more than 5 ½ years. But economists warned that the economy still doesn't appear to be strong enough to sustain April's robust pace of job creation, which included construction companies and other firms catching up on hiring after a lull caused by unusually harsh weather. And the Labor Department report contained some troubling data showing the job market remains a ways from fully healed. "More than likely, April was a bit of a rogue month," said Brian Bethune, Chief Economist at Alpha Economics Foresights. "There's no reason for any sudden sense that we've risen above the turbulence."

Average hourly earnings were flat in April and were up just 1.9 percent over the previous 12 months, meaning workers' wages aren't increasing much. The length of the average workweek also was unchanged. The most significant warning sign was a large decrease in the labor force last month, which was the main reason the unemployment rate tumbled from the March level of 6.7 percent. The last time the rate was lower was September 2008. The civilian labor force shrank by 806,000 in April after rising by about half a million in March. And the percentage of working-age Americans who had jobs or were actively looking for them fell to 62.8 percent last month, the lowest level since 1978. In the past, the labor force has fallen because unemployed workers have gotten discouraged and stopped looking for jobs. This time, the labor force declined mostly because fewer people entered the job force – such as young people and immigrants looking for first jobs.

Sources: Greater Houston Partnership; Houston Chronicle; Houston Business Journal; The Wall Street Journal