

## **Job Market Weakens in Houston**

Metro Houston created 4,600 jobs in March, according to the Texas Workforce Commission. Over the past 25 years, March employment growth has averaged around 14,000 jobs. The seasonally adjusted data paints an even bleaker picture, suggesting the region lost 2,600 jobs in the month, marking the second consecutive month of seasonally adjusted job losses.

Job losses continue in sectors most closely tied to energy—oil and gas extraction, oil field services, the manufacture of fabricated metal products, the manufacture of oil field equipment, transportation and warehousing, engineering, and employment services. Losses have yet to spill into the consumer-oriented sectors. The region added jobs in construction, real estate, accommodation and food services, arts and recreation, health care and government (mainly public education).

Houston's unemployment rate ticked up to 4.9 percent, barely below the U.S. rate of 5.1 percent. In recent months, the local rate has trended up while the national rate trended down, so the Houston and U.S. rates will likely cross in the near future.

## **Raises Were Subdued in First Quarter**

Worker pay rose as forecast in the first quarter, showing the steady drop in unemployment has yet to prompt employers to sweeten paychecks. The 0.6 percent advance in the employment cost index from the prior three months followed a 0.5 percent increase in the fourth quarter that was smaller than previously estimated, the Labor Department said last week. Total compensation, which includes wages and benefits, climbed 1.9 percent over the past 12 months, the smallest gain in two years. Years of impressive employment gains have only led to gradual pay increases that are contributing to more restrained rates of spending and economic growth.

Federal Reserve policymakers last week pointed to further labor-market strengthening as a reason to be optimistic about incomes. Wages of all employees, including government workers, advanced 2 percent from the same period in 2015, the smallest 12-month gain in two years. Private wages rose 0.7 percent in the first quarter from the previous three months, when they increased 0.6 percent. Pay for state and local government workers advanced 0.4 percent. Benefit costs for all non-government workers, which include some bonuses, severance pay, health insurance and paid vacations, climbed 0.5 percent last quarter and were up 1.2 percent from the same three months in 2015. That was the smallest year-to-year advance since the fourth quarter of 2009.

## **Tough Times for Job Seekers**

Unemployed energy workers found few takers as they made the rounds at Offshore Technology Conference. Many unemployed workers came to OTC hoping to land a job, or at least make connections that might lead to one, only to find a reception far different than those of past years. With energy companies slashing jobs by the thousands, gone are the giant touchscreen boards with long lists of open positions and the special hiring seminars that companies sponsored to lure job seekers. Gone, too, are the armies of recruiters who roamed the exhibit halls trolling for talent. Instead, it's job seekers walking the floors, some using "consultant" on their name tags while others just say "unemployed". One jobless worker still had his former company's name on his badge. It was printed before he lost his job last week.

Energy companies have slashed one in five U.S. jobs, laying off nearly 120,000 workers since oil prices peaked in June 2014, according to the Federal Reserve Bank of Dallas. That figure is only expected to grow as crude prices hover between \$40 and \$45 a barrel and oil company profits continue to suffer. In Houston, the nation's energy capital, exploration, engineering, oil field service and energy-related manufacturing firms cut more than 56,000 jobs between December 2014 and March 2016, said Patrick Jankowski, SVP for Research at Greater Houston Partnership. Energy workers can expect a difficult job market over the next few years, Jankowski said. When prices and profits rebound, companies will pay down debt they incurred during the boom, restore dividends for investors and spend on new drilling projects before doing any substantial hiring. Companies also have found during the downturn that they can operate with many fewer employees and will be reluctant to boost their payrolls. Many companies already are automating processes that were once done by humans. Some offshore workers, for example, may be replaced by computer technology that can drill wells on autopilot. "Even if oil prices go up, it will not result in a hiring binge," he said. "It will take at least a year or two to see improvements in hiring." Thuy Geraci, global manager of recruiting and human resources at the Houston engineering firm of Wood Group Mustang said she was surprised to see so many top-tier candidates, including an unemployed CEO, looking for jobs at OTC. "It's very telling of the market," Geraci said.

## **U.S. Job Growth**

After months of gravity-defying gains, the U.S. jobs machine cooled in April, as employers took their cue from other signs that economic growth was slowing by easing up on new hiring. The 160,000 increase in payrolls in April reported by the Labor Department on May 6th came after the best two-year stretch for the job market since the tech-fueled boom of the late 1990s. The unemployment rate, which is tied to a separate survey of households, stayed at 5 percent.

While a downshift, the still-healthy pace of hiring contrasted with other economic signals that have been decidedly mixed recently. Late last month, the government reported that the economy barely expanded in the first quarter. But most experts say the steady gains in the labor market in recent months are a more reliable sign, suggesting that the economy will continue to expand for the rest of 2016, with the pace picking up modestly from the stagnant start to the year.

The Labor Department also revised downward its estimate of the number of jobs added in February and March by 19,000. In the last three months, the economy has gained about 200,000 jobs a month on average. Diane Swonk, an independent economist in Chicago, pointed to the strong gain of 67,000 jobs in the business and professional services category as additional evidence that the broader slowdown in hiring last month was not an ominous sign of trouble ahead. "The quality of the jobs improved, but the quantity did not," she said, adding that the health of this heavily white-collar sector explained why wage growth was also robust. The 0.3 percentage point rise in average hourly earnings was the most positive sign of the economy's trajectory in Friday's report. Until a nascent pickup recently, wages had been a sore point throughout the nearly 7 year old recovery, barely rising in real terms despite the big drop in the unemployment rate.

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