

## **Houston Hiring Goes Into Overdrive**

The Houston metro area led the state in employment growth, creating 107,400 jobs in the 12 months ending August 2014, according to the Texas Workforce Commission. This is a 3.9 percent gain from August 2013 to August 2014. The Dallas-Fort Worth-Arlington metro ranked second, adding 101,500 jobs, followed by Austin-Round Rock-San Marcos with 31,700 jobs.

The three fastest growing sectors in Houston were building construction (14.3 percent annual growth, 7,100 jobs), engineering (13.3 percent annual growth, 9,300 jobs) and oil field services (11.2 percent, 5,400 jobs). These sectors are being driven by the current office construction boom, the massive investment in new chemical plants along the Houston Ship Channel, and the current ongoing activity in the Eagle Ford and Permian Basin. The activity combined to give the region more than just a second wind following an apparent economic slowdown, especially in such critical areas as oil and gas, equipment manufacturing and chemicals, which by all accounts was underway last fall.

"Houston still has a green light," added Barton Smith, professor emeritus of economics at the University of Houston. "It's looking more positive than I thought a year ago." When key pillars of the economy are doing well, everyone does well. Greater Houston Partnership last December forecasted Houston would gain about 70,000 jobs in 2014. If the economy keeps going the way it's been going, Houston will likely end the year with a 100,000-plus job gain. One big boost to the Houston economy is a surge of investments along the Houston Ship Channel. Since January 1, 2012, there have been 45 announcements of projects worth at least \$250 million or more. It's clear the energy industry is bouncing back and most of the rest of the economy growing broadly, said Smith. Smith predicts Houston will end the year by adding 3.2 to 3.3 percent more jobs to its payrolls, which would mean an increase of 93,000 – 95,500 jobs. That would be a remarkably strong rate of growth for a city the size of Houston. And it shows that energy is coming back as a strong sector while the rest of the economy is holding its own. Since the bottom of the recession, the metro area has added 420,700 jobs, or nearly triple the 153,800 jobs lost during the recession. Houston remains 3,600 jobs shy of the 2.9 million job mark, a milestone the region should reach when the Texas Workforce Commission issues the next employment report later this month.

## **Houston's Jobless Rate Down**

The Texas Workforce Commission reported October 10, 2014 that the Houston-area unemployment rate dipped slightly to 5.4 percent in August, down from 5.5 percent the previous month. The local jobless rate is not seasonally adjusted for typical employment swings. The rate usually moves down each August as school bus drivers and cafeteria workers return to work and students leave the summer job market to go back to school. Statewide, however, the data is seasonally adjusted. In Texas, the unemployment rate edged up to 5.3 percent in August, up from 5.1 percent in July.

The U.S. unemployment rate is 5.9 percent, the lowest level since July 2008, continuing a slide that partly reflects a shrunken labor force. Unemployment, nearly five years after surging to 10% in the wake of the recession, is moving closer to the 5.2 - 5.5% range the Federal Reserve expects to see in the long run.

## Snapshot of Houston's Population

Each September, the U.S. Census Bureau releases the American Community Survey (ACS), an annual snapshot of the population's economic, demographic, housing and social characteristics. Comparing responses from the ACS over time can provide insights into changes in the population. The Greater Houston Partnership has compared data from the 2009 and 2013 ACS for the nine-county Houston metro area and noted the following:

- Houston continues to diversify. Anglos now represent a smaller share of Houston's population than they did in 2009, while Blacks, Asians and Hispanics represent larger shares.
- Labor force participation in Houston has fallen, but not to the same extent as nationally. In 2009, 68.4 percent of Houstonians were in the labor force, *i.e.*, employed or actively looking for work. In 2013, Houston's labor force participation rate slipped to 67.3 percent. Given the region's robust job growth, the local decline is more likely due to an aging population than disillusioned workers, who account for much of the nationwide decline. In Houston, the population 62 and older rose by 132,000 over the four years.
- Houstonians love their cars. In 2009, 78.8 percent of all workers drove to work alone each day. In 2013, single-passenger commuters accounted for 79.7 percent of all work trips. That figure equates to 211,000 more vehicles on the road last year than four years earlier. Only 2.4 percent of Houstonians use public transit to get to work.
- More Houstonians draw paychecks than toil for themselves. Of the 2,995,300 Houstonians who work, 188,200 are self-employed. That's a drop from 193,000 in 2009, and a decline from 7.0 to 6.3 percent of the working population. During the recession, many Houstonians became entrepreneurs by necessity and not by choice.
- Houston has grown smarter. The population 25 and older holding a Bachelor's degree or higher rose from 27.9 percent in 2009 to 30.9 percent in 2013.
- Houstonians have become older. In 2009, the median age of all residents was 32.9 years. In 2013, the median age was 33.6 years.
- For many Houstonians, incomes have not kept pace with inflation. The median household income for Houston was \$54,146 in 2009. The median in 2013 was \$57,366. If the median had kept pace with inflation, it would have been \$60,030 in 2013.
- Houston has more affluent households than before. The ACS recorded 591,000 households in Houston with incomes of \$100,000 or more in 2013, up from 409,700 in 2009.
- But not everyone has benefited from Houston's booming economy. In 2009, 12.2 percent of all families lived in poverty. In 2013, 13.2 percent did.

- However, there are fewer uninsured. In 2009, 75.4 percent of Houstonians had health insurance. In 2013, 77.2 percent had coverage.
- Houston continues to attract residents from overseas. The 2013 ACS found that 1,423,700 Houston residents were born outside the U.S. compared to 1,278,400 in 2009. That means 22.5 percent of Houston's population was foreign-born in 2013 versus 21.8 percent in 2009. About two-thirds of all foreign-born residents, 844,300 according to the 2013 ACS, are not U.S. citizens.

## **How Many Jobs in Texas are Related to Oil & Gas**

No doubt about it: the oil and gas industry employs a lot of people in Texas. Last week Texas Railroad Commissioner David Porter announced that, as of June, "a record-breaking 297,800 Texans appeared on oil and gas industry payrolls." A day earlier, Lee Tillman, President of Marathon Oil, used an even higher number. "Texas leads the nation in job creation," he said in a speech at a convention. The state "counted more than 400,000 jobs in the oil and natural gas sector in the first quarter of this year." In a nation still struggling to gain economic traction for all but an increasingly wealthy few, stories of job creation carry great power. Traveling the country to explore a presidential campaign, Governor Rick Perry speaks of cutting taxes and regulations to foster employment. So how do the figures, cited one day apart in equally celebratory tones by industry experts, vary by so much? The question resonated well beyond oil and gas career expos in Texas, where the energy industry is a diverse sector – upstream, downstream, oil, natural gas or alternative – in which each sector often cites its own number and espouses its own agenda. But clarity is needed here, especially when it comes to jobs. "We have to use the same numbers," says Daniel Hamermesh, a labor economist at the University of Texas. "Otherwise every industry that wants to make itself sound good will claim more people for more political power, and we end up in a state of 35 million employment and 24 million people. Fear not: the 100,000 job gap between the two industry employment figures does not represent an abandonment of the facts. The two numbers actually came from the same source: payroll data compiled by the Bureau of Labor Statistics. "The same company, Exxon Mobil for example, might have a different position depending on what part of the building you ask," said Michael Webber, deputy director of the Energy Institute at the University of Texas. "They speak with different voices because they have different economics interests." Some oil and gas giants including ConocoPhillips, Marathon and Hess, have split apart to pursue those different interest. Upstream to downstream, their interests tend to realign when it comes to promoting their role as job creators. But the split helps explain the power struggles within an industry that has gained broad influence over the economy, politics and culture of Texas.

## **Improved Numbers for U.S. Job Market**

U.S. businesses are stepping up hiring for the sixth straight month. The September jobs report showed that employers added 248,000 jobs last month, as the unemployment rate slid to 5.9 from 6.1 percent. "This is more evidence that we should expect further robust gains in employment over the next few months and, consequently, further declines in the unemployment rate," said Paul Ashworth, chief U.S. economist at Capital Economics. Payroll processor ADP said October 1, 2014 that the pace of hiring by

private employers was up slightly from 202,000 in August. Payrolls have expanded an average 227,000 a month this year, putting 2014 on track to be the strongest year of job growth since the late 1990s. Job gains above 200,000 are usually enough to lower the jobless rate.

U.S. employers advertised the most job openings in nearly 14 years during August, yet their pace of hiring fell compared to July. The number of available jobs rose 230,000 to 4.84 million during the month, the Labor Department said October 7, 2014. Restaurants, hotels and health care providers drove much of the increase, which resulted in the most openings since January 2001. But total hiring fell 294,000 to 4.64 million, driven by declines in construction and retail. This suggests a potential mismatch between the wages employers are willing to pay and the skills of the workers available. Job openings have climbed 23 percent in the past 12 months, a clear sign that employers are searching for additional workers. Net job gains have also improved as the economy has added 2.64 million new jobs over the past 12 months. The economy is on pace to add the most jobs since 1999. Yet the pace of hiring still lags behind the advertised demand from employers. Hiring has only risen 1 percent in the past 12 months. This spread between openings and hiring is a sign that some employers are struggling to find workers with the skills they need. Or, employers may need to boost the pay being offered to bring in better applicants. The number of Americans who quit their jobs last month was little changed, at 2.47 million, the latest report showed. More people quit their jobs in a healthy economy because they are more likely to find new, typically higher-paying jobs. Quits fell sharply in the recession but have since recovered. Yet they are still below the 2.8 million that is typical in a healthy economy. Workers' wages still have yet to climb significantly. Among private sector workers, average hourly earnings actually fell a penny last month, to \$24.53. They have risen 2% over the past year. This is the second expansion in a row where economic growth hasn't translated into rising incomes for most Americans. While the economy is in the middle of a pickup, weak productivity growth and the downsized labor force point to limited gains in overall growth in the long term. An increase in job openings coupled with lower unemployment could force firms to raise wages as they compete for a smaller share of workers. The big question is when wage growth will meaningfully surpass inflation. Average hourly wages have risen just 2.3 percent over the past 12 months.

Last month's job growth was broad-based, with professional and business services such as accounting and engineering leading the way, followed by construction, retail and health care. Manufacturing was largely flat for the second straight month. The average workweek climbed to 34.6 hours – the highest since the recession and a sign companies may need to step up hiring to meet stronger demand.

Despite the latest progress, 9.3 million workers are still searching for work, almost a third of the unemployed for six months or more. The labor force participation rate – reflecting the share of working-age Americans who have a job or are looking for one – fell last month to a three-decade low of 62.7%. Before the recession it stood at 66%. Only part of the decline is due to aging baby boomers; even among Americans in the prime working ages of 25 to 54, participation is historically low.

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

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