

Employment Update

Houston Sets the Pace for Job Growth

The Houston metro area continues to set the pace for job growth in the nation, recording a 4.5 percent increase in employment from February '12 to February '13, according to data released by the U.S. Bureau of Labor Statistics (BLS). That's three times the pace of job growth for the nation as a whole and faster than any other major metro. Only 10 other metros out of 372, reported faster growth than Houston, but they were all significantly smaller. Houston added 118,700 net jobs during the 12 months ending February '12. Only the Los Angeles metro, with twice the population of Houston, created more. Los Angeles, however, remains 325,000 jobs below its pre-recession peak and at its current pace, it won't recoup all the jobs it lost in the recession until the fall of '15. Houston returned to its previous peak in the fall of '11. Since January '10, the month the recession ended here, Houston has created 276,900 new jobs, 181 percent of what the region lost. At the current pace of growth, Houston area employment will top 2.8 million before the end of the year. In February, Houston's unemployment rate stood at 6.3 percent, nearly two points below the U.S. rate of 8.1 percent. Houston's unemployment rate historically ticks up in January and February as temporary workers hired for the holiday shopping season are laid off. If history repeats itself and the unemployment rate falls by half a percentage point or more in the coming months, Houston could soon see unemployment below six percent.

Nine Sectors in Houston Experience Upward Bump in Employment

Houston performed better last year than first thought, creating 105,700 net new jobs, or 21,200 more than BLS previously reported. The upward bump in employment came from the annual benchmark revisions, a review process that starts each fall and ends with the release of revised employment data in March. The initial reports are based on a survey sample of area employers. The revised job counts are based on data available from unemployment insurance accounts. BLS revised employment data from April '11 through December '12. The revisions show nine sectors performed better than originally reported and three performed worse.

The upward revision for architectural and engineering services was expected, given the performance of the oil industry and the spate of recent chemical plant announcements. Manufacturing continues to thrive in Houston, one of the few metros that can make that claim. Mining and logging, in Houston primarily oil and gas, performed even better than first reported. The big surprise was the government sector. The bulk of the revisions occurred in local government, primarily in public education, as school districts found ways to hire educators and support staff to teach the region's burgeoning school-age population.

The downward revisions for construction and health care are cause for some concern. Given the demand for housing and the chemical plant and office building construction underway, one would have expected construction employment to have been revised upward, not downward. Recent weeks have seen several reports about construction workers classified as “independent contractors,” keeping them off the formal payroll and allowing companies to avoid paying benefits or running immigration background checks. That practice may explain why construction activity remains strong but the job numbers remain weak. Regarding the health care revisions, BLS probably didn’t account for local providers taking early steps to control staff levels in anticipation of changes that will take place this year under the Affordable Care Act.

BLS also revised Houston’s overall employment growth in ’10 downward by 1,400 jobs and in ’11 upward by 4,400.

Fewer Americans Seek Unemployment

Fewer Americans sought unemployment aid, reducing the average number of weekly applications in February to a five-year low. The drop shows that fewer layoffs are strengthening the job market. The Labor Department said March 14, 2013, that applications fell 10,000 to a seasonally adjusted 332,000. That reduced the four-week average to 346,750, the lowest since the week of March 8, 2008, three months after the Great Recession began. The report provides further evidence of a gradual strengthening in labor market conditions. Investors appeared to view the report as further evidence that job growth and the economy are strengthening. Applications for unemployment aid are a proxy for layoffs, and their steady decline signals that companies are laying off fewer and fewer workers. It suggests that companies aren’t worried that business might fall off in the near future. The number of applications for benefits has declined 13 percent since mid-November. At the same time, net hiring has picked up. Employers added an average of 200,000 jobs a month from November through February – up from 150,000 a month in the previous four months. And the unemployment rate reached a four-year low of 7.7 percent in February. During the Great Recession, the layoffs spiked, and applications for unemployment benefits peaked at 667,000 in the week that ended March 28, 2009. In a healthy economy, applications usually fluctuate between 300,000 and 350,000.

Starting Salaries on the Rise for College Graduates

The average starting salaries of recent college graduates are up across the board, and career and human resource specialists in Houston say many factors play a part, especially the economy. New college graduates earned salaries 3.4 percent higher in 2012 than the year prior, reports a recent national survey conducted by National Association of Colleges and Employers. The starting salary for 2012 college graduates earning bachelor’s degrees was \$44,482 while the average in 2011 was \$43,014, and graduates who earned bachelor’s degrees in education, business and communications received the highest increase in starting salaries. Salary increases have jumped in the past year, in part because more students are pursuing

degrees that are in greater demand, such as communications and education. Educators are always needed, and the growth of social media adds to the demand for communications majors.

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