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Economic Update

Over the next 25 years, Houston's economy will more than double in size, the region will add more than 3 million residents, and employment will grow by nearly 1.5 million jobs. That's the latest forecast by Ray Perryman, the Waco based economist who has studied Texas and its metro economies for four decades. "The Houston-area economy has been on a decidedly upward trend and is expected to continue to demonstrate relatively healthy growth," Perryman notes. During the '10 – '35 time frame, Perryman forecasts expansion in all sectors, but the report singles out Houston's energy, manufacturing, business services and personal services sectors along with the Port of Houston as major contributors to the region's growth. Approximately six of every 10 workers added over the next 25 years will be in the service sectors, the report notes. Perryman expects Houston to outperform most U.S. metros and account for 30.8 percent of Texas' economic growth over the forecast period.

Don't fret over the higher unemployment rates just yet. Houston's June unemployment rate stood at 9.0 percent, up from 8.2 percent in May. The increase isn't cause for alarm, though. It reflects historical patterns stemming largely from teens seeking summer work and the expiration of 10-month contracts for many teachers. Houston's unemployment rate has increased from May to June for the past 10 years, the increase typically ranging from 0.4 to 0.9 percent, with 0.65 percent being the average. This year's 0.8 percent increase, while slightly above the norm, may reflect discouraged workers returning to the job market. According to Bureau of Labor Statistics (BLS) methodology, if people stop seeking work (which many did during the recession), they aren't counted as unemployed. Nationwide, the number of people seeking unemployment benefits dipped the last week in July to the lowest level since early April, a sign the job market may be improving slowly.

The Houston metropolitan area continues to be one of the few bright spots in an otherwise gloomy national wages outlook. Per PayScale, employee compensation data provider, Houston's pay index score for the second quarter increased 0.6 percent to 107.5 from 106.9 in the same quarter last year. Houston's score is the highest among the 20 metro areas tracked and overall the nation is down 0.1 percent. Houston has been at the top of the metros in terms of rebounding from the recession. Helping Houston has been a wage increase in the mining industry, including oil & gas, which had the strongest positive year-over-year change at 0.8 percent among the 15 industries tracked.

Insperity, Kingwood-based human resources company, conducted a Business Confidence Survey amongst small & medium-sized business owners in July and found 70% are meeting or exceeding their 2011 performance plans, 52% expect a year-over-year sales increase in 2011, and 32% plan to add new employees this year.

Houston, San Antonio, Austin, El Paso, and McAllen remained in the top 20 U.S. metropolitan areas for economic performances for the first quarter of 2011 in the latest Brookings Institution Metro Monitor quarterly report. The rankings looked at the 100 largest U.S. cities. Houston ranked No. 1 in the one-quarter change in metropolitan economic growth with a 3.3 percent increase.

Oil & Gas Exploration & Production added 7,500 jobs during the past 12 months for a 9.4 percent gain. That reflects the increase in oil prices over the past year, new opportunities in oil shale plays that allow drillers to reach oil & gas deposits they couldn't reach before, and recovery of drilling in the Gulf of Mexico that was affected by a government moratorium after last year's deadly oil spill. Texas Alliance of Energy Producers reported employment in the oil & gas industry in Texas has soared above the 2008 high achieved before the recession and is poised to continue growing. Total Texas oil & gas employment reached 224,200 in June 2011 – a 15 percent increase from June 2010 and higher than the previous boom of 223,200 in October 2008. The growth in the energy sector bodes well for the rest of the Houston economy.

Houston is now a national leader in clean energy job creation. The fastest growing segments of Houston's Clean Economy from 2003 – 2010 are: Renewable Energy Services, Professional Environmental Services, Green Consumer Products, Recycling & Reuse, and Biofuels/Biomass. The Houston metropolitan area ranked No. 9 among the nation's 100 largest metropolitan areas in the total number of clean jobs per Brookings Institution Metropolitan Policy Program. Between 2003 and 2010, Houston's clean jobs sector grew by 5.3 percent annually to add 12,131 positions. The findings suggest that a region with a traditional energy focus can quickly develop its clean energy counterpart.

Employment Growth in June 2011

- Private Sector: 57,000 jobs
- Government: -39,000 jobs
- Total Growth: 18,000 jobs

Since January '10, when the recession ended here, the Houston-Sugar Land-Baytown Metropolitan Statistical Area has recouped 118,300 jobs, or about three-fourths of the 152,800 lost during the recession. But the recovery has been uneven. Four sectors: personal services, health care, accommodation and food services, and educational services have recovered all jobs lost and continue to grow. Employment in those sectors stands above their prerecession peaks. In contrast, four sectors: finance, construction, real estate, and information have recovered less than one-fifth of their losses. Given recent trends, it will be some time before those sectors return to their previous peaks. So what's influencing each sector's recovery? As Houston's population grows, the region adds nearly 120,000 residents per year, the demand for services continues to grow.

- Health care never lost jobs during the recession and instead added 24,900 jobs due to a growing and aging population.
- Accommodation & Food Services lost 13,700 but has added more than 20,600 in its recovery.
- Education Services never lost jobs and has added 2,400 jobs since many workers feared losing their jobs and those that lost jobs enrolled in classes.
- Arts, Entertainment, & Recreation lost 5,700 jobs since consumers decreased their discretionary spending due to uncertainty in their financial future.
- Administrative Support lost 28,200 jobs since contract workers are the first to be let go during layoffs and it has recouped 23,000 jobs (2/3 of those in employment services) since employers are reluctant to hire full-time when the economy improves and brings on contract workers.
- Utilities lost the fewest jobs of any sector (500) and 400 of them have been recovered.
- Oil & Gas Extraction lost 2,900 jobs due to the collapse in oil prices from nearly $150 a barrel to a low near $35 a barrel.
- Oilfield Services lost 12,700 jobs due to the Gulf of Mexico drilling moratorium and has recouped all of the extraction jobs and 7,300 service jobs due to the frenetic pace of drilling in the oil & gas shale plays.
- Wholesale Trade lost 10,100 jobs due to company's cutting back their capital expenditures but they have recouped 5,200 of the jobs due to the rebound in global trade and need to restock depleted inventories.
- Retail Trade cut 22,200 jobs due to lack of consumer confidence and has recouped 11,300 jobs due to recent local job growth.
- Professional Services lost 14,400 jobs, engineering was especially hard hit as companies canceled projects, and it has recouped 6,600 of the jobs it lost.
  Construction suffered the greatest job cuts of all sectors losing 39,800 and has recovered 5,500 jobs and will be among the last to fully recover.
- Manufacturing lost 29,300 jobs since the downturn in drilling activity reduced the need for oil field equipment and the drop-off in construction reduced the need for structural steel and has recovered 11,300 jobs so far.
- Transportation/Warehousing lost 9,800 jobs due to the reduction in global trade, drop in manufacturing, and cutback in retail sales and has recouped 2,000 so far.
- The Information Sector (newspapers, software, radio/tv, wireless telcom) lost 6,100 jobs.
- Real Estate lost 6,100 jobs (commercial & residential) and only 1,000 have been recouped so far.
- Finance sector lost 5,200 jobs and has yet to recover.

Investigations & Compliance

Are you handling your workplace bullies?

One of the key ways to lower employee morale and efficiency as well as get slapped with a harassment suit is to ignore workplace bullying. Many harassment and workplace violence policies have alluded to bullying as a prohibited behavior but few have specifically spelled out what is bullying and why it is not tolerated. To make the issue worse, bullying has not always been investigated properly, with complaining employees often being “coached” to toughen up. Many other Human Resource and financial issues can start out as bullying, or bullying may be a sign that something else is occurring in the workplace. These could include retaliation, financial crimes or cover-ups, sexual harassment, etc. If you are in an organization that has weak policies or investigation procedures for bullying, get ready for things to start changing. According to a July 12th 2011 article on Fox Business News, “Dr. Gary Naime, national director of the Healthy Workplace Campaign, started lobbying for anti-bullying laws in 2003. Right now, his "Healthy Workplace Bill," has been introduced in 21 states with New York the closest state to passing it into law. The Workplace Bullying Institute has identified that workplace bullying can have serious side effects for victims including heart disease and post-traumatic stress disorder. For employers, the bill defines an "abusive work environment" and requires proof of health harm by licensed professionals. It gives employers reason to terminate or sanction offenders and requires plaintiffs to use private attorneys. "It's very soft on employers, and will give them rewards for taking care of bullying voluntarily," he says. "If they do, they have no responsibility – [legally] they are freed." For workers, the New York bill provides an avenue for legal action against "health harming cruelty at work," and allows a victim to sue the bully as an individual. It also holds the employer accountable by allows for restoration of lost wages and benefits, and compels employers to prevent and correct future instances.”
Don’t wait for laws to be passed before your workplace bullies are managed. Strengthen your policies, institute training, encourage reporting, and conduct high quality investigations into the alleged conduct. Doing anything less may cost you in the long run.

For more information about Employee Investigations and Compliance, you can contact Ryan Hubbs CFE, CIA, PHR, CCSA, CFS, Senior Manager, Matson Driscoll & Damico LLP at rhubbs@mdd.com or 713-621-3010.

Sources: Greater Houston Partnership; Houston Chronicle; Houston Business Journal; Ryan Hubbs, Senior Manager, Matson Driscoll & Damico LLP