

Employment Update

Local Economy is Continent's Fastest-Growing

Powered by a booming energy business, the Houston regional economy grew faster last year than any other in North America, the Brookings Institution reports. Houston and Dallas were the only two major metropolitan economies on the continent to rank among the world's most robust in 2010-2011. The Global MetroMonitor rankings use factors such as population, employment and per-capita income. The report calculated Houston to be No. 19 globally in terms of growth and Dallas No. 36. No other region in North America finished in the top 40 among the largest 200 metro areas which account for half the world's economy. Houston's \$311 billion economy benefited from high oil & gas prices and a relatively strong housing market. To maintain growth, the study recommended the area should continue to look for ways to diversify. Houston was one of the few North American metros in which both income and employment grew "much faster" than the year before.

Houston led Texas in Job Growth

The Texas Economy is outperforming the nation as a whole mostly on Houston's coattails. Two-thirds of Houston's economic growth last year was directly attributable to the oil industry. Area employers added 100,000 jobs last year but the unemployment rate is still high because of significant in-migration as word gets out that Houston's job market is hot. Local job growth in 2011 was the sixth strongest of the past 21 years in Houston. Houston led Texas in job growth last year, accounting for one in every three jobs created in the state. The 10-county Houston metro area added 75,800 jobs, a 3.0 percent increase over the previous year. The state created 205,100 jobs, a 2.0 percent increase. Dallas-Fort Worth ranked second among Texas metros, followed by Austin, Corpus Christi and McAllen-Edinburg. Several metros added jobs at a faster pace, but none added as many as Houston.

Sectors in Houston that Added the Most Jobs

Nine of the eleven sectors in Houston added jobs last year. Only two—information and government—reported losses. Some industries, including oil and gas extraction, oil field services, other services, and professional and business services, added jobs at a robust pace.

- **Oil and Gas** grew faster than any other sector, adding 10,100 jobs, a 12.1 percent increase. High oil prices, a climbing rig count and frenetic activity in

Texas' Eagle Ford shale fueled job growth. West Texas Intermediate, the U.S. benchmark for light, sweet crude, never fell below \$75 per barrel in '11. The North American rotary rig count finished the year with 2,007 working rigs, 307 more than when the year started. The Texas Railroad Commission issued 2,828 drilling permits in the Eagle Ford shale last year, more than double the 1,010 permits issued in '10 and 30 times the 94 permits issued in '09.

- **Other services**, which includes personal and consumer services like repair services, personal care services, and religious and nonprofit associations, added 6,000 jobs, a 6.5 percent increase.
- **Professional and business services** added 19,700 jobs, a 5.4 percent increase over the previous year. Two-thirds of the growth—12,000 jobs—occurred in administrative support, waste management and remediation services. This clumsily named sector includes firms that support the day-to-day operations of other organizations by providing typical administrative functions—clerical, personnel, human resource, cleaning, or security—for a fee. Presumably growth in this sector results from firms outsourcing these functions to keep their operations as lean and competitive as possible.
- **Manufacturing** added 11,500 jobs, up 5.3 percent from the previous year. Two thirds of the growth occurred in the manufacture of durable goods (*i.e.*, those expected to last three years or more) and one-third of the growth in the manufacture of nondurables (*i.e.*, consumables or goods with a short useful life). Durables are concentrated in the fabrication of metal products (*e.g.*, pipes, valves, structural steel and machined products) and industrial machinery (primarily oil field equipment). Both have benefited from the surge in drilling activity, together adding 7,900 jobs last year. Employment in machinery manufacturing is now at an all time high. Employment in nondurables manufacturing remains mired near its recession trough. The chemicals and refining industries, which represent 60 percent of all jobs in this sector, accounted for only 300 of the 2,600 jobs added last year.
- **Accommodation and food services** (*e.g.*, hotels, restaurants and bars) grew by 8,900 jobs, a bump of 4.3 percent. Increased business travel supported growth in accommodation employment. Employment in food services benefited from the same factors driving retail employment—population, employment and income growth, along with improving consumer confidence.
- **Educational and health services** added 11,600 jobs, a 3.7 percent increase. This is the only sector that did not lose jobs during the recession. Two factors

drove growth in health care employment: population growth and an aging population.

- **Financial activities** added 2,300 jobs in '11, a 2.5 percent increase over the prior year. The bulk of the increase occurred in the financial services sector. The region saw modest employment growth at area banks and securities firms.
- **Trade, transportation and utilities** added 9,800 jobs last year, a 1.8 percent increase over the previous year. Much of the growth occurred in wholesale and retail trade. Wholesale trade benefited from strong markets for U.S. exports, the recovery in Houston's manufacturing sector, and improving local retail sales. Wholesalers also sell to retailers, and retail sales in the Houston area during the first six months of the year were up \$5.1 billion, or 14.2 percent, over the same period in '10. Several factors supported growth in retail employment:
 - Houston added 120,000 new residents, *i.e.* additional consumers
 - The region added 75,800 jobs, increasing total personal incomes
 - The Census Bureau reported Houston area residents earned \$6.0 billion more in the first six months of '11 than during the same period in '10, *i.e.* additional purchasing power.
- **Construction** added 1,600 jobs, a 0.9 percent increase over the previous year. Employment losses in specialty trades contractors reduced employment gains in the construction of buildings and heavy and civil engineering construction.

Year-end Bonuses Likely to Continue in Houston

A new national survey says year-end bonuses may be a relic from happier days, but Houston energy headhunters are stumped: What decline in bonuses? According to Challenger, Gray & Christmas, a Chicago-based outplacement firm, about 43 percent of companies across the country didn't spend a dime on year-end bonuses in 2011. That's up from 28 percent in 2007. Companies are incentivizing people in different ways today than they did in an era when each year rolled around, there was a Christmas bonus and it was seen as an appreciation of your loyalty. Today bonuses are incentive payments, not for loyalty but for performance. Houston placement firms are bullish on bonuses at local companies, especially in energy, though the "year-end" promise may become obsolete. Headhunters say the energy industry has an extremely competitive market for top executives and employees – hard-to-find talent that know the market – so bonuses still drive compensation. As for energy, year-end bonuses are probably a good bet because of the talent factor. It's probably the toughest sector in the U.S. to find experienced candidates since skills sets are not transferable from other industries.

Hiring Gains Nationwide

Companies from GE to yogurt producer Chobani are adding U.S. workers, accelerating a rebound in hiring, as CEO's prepare for greater demand in a strengthening economic recovery. GE hired 500 new employees at their Kentucky appliance plant. Chobani is building a 300-worker plant in Twin Falls, Idaho. Boeing is bringing in more than 100 machinists a week for a 60 percent boost in output by 2014. Nissan will expand in Tennessee with 1,000 people making lithium-ion batteries. The hiring reflects optimism among CEOs that the economy will continue to strengthen and more workers will be needed to meet demand. It may signal an end to a lockdown on job growth following the financial crisis that lingered even after the recession ended in June 2009, with economists estimating more new jobs created this year than any time since 2006. The U.S. may add 1.7 million jobs this year, the fastest pace since 2006, based on economists' estimates compiled by Blue Chip Economic Indicators.

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