

Employment Update

Houston's Job Growth

2012 marked the third consecutive year in which Houston led the state in job growth. Houston, with 23.7 percent of the state's population, accounted for 31.8 percent of the state's job growth last year. The 10-county metro area added 84,500 jobs, a 3.2 percent increase over the previous year. Greater Houston Partnership's official employment forecast called for the region to create 84,600 net new jobs in '12. Growth in the region fell short of the GHP forecast by only 100 jobs, essentially a rounding error in an economy with 2.7 million in total nonfarm payroll employment. The prediction for 2013 is the Houston area will add 76,000 new jobs.

Texas Metro Areas Ranked by Total Jobs Created December Employment

Metro Area	Annual Change			
	'12	'11	Nominal	%
Houston-Sugar Land-Baytown	2,731,000	2,646,500	84,500	3.2
Dallas-Fort Worth-Arlington	3,040,500	2,961,300	79,200	2.7
Austin-Round Rock-San Marcos	833,900	799,300	34,600	4.3
San Antonio-New Braunfels	878,600	856,600	22,000	2.6
El Paso	287,800	284,300	3,500	1.2

Energy & Construction are Leading Houston's Growing Economy

Houston's economy is growing, people are moving in, and construction cranes seem to be everywhere. Energy jobs are a huge driver, but so is the city's sprawling healthcare industry. The lingering challenges include creating enough skilled talent to fill the engineering and other openings. It seems that no matter what is thrown at Houston, it somehow seems to find a way to bounce back, pointing to the offshore drilling moratorium that could have put a serious crimp in the local economy. We found new opportunities onshore for shale drilling and the economy takes off again. Every 30 to 40 years, Houston reinvents itself as it has gone from railroads to shipping to refining to chemicals to space to healthcare. Houston is seeing a shift from exploration & production of natural gas to more oil & natural gas liquids. That is providing a high level of activity in the oilfield services and midstream markets. Construction is another leading sector which is what we would expect at this stage of recovery. Construction is always the last sector to enter a recession and the last to come out because of the long lead times on projects.

Over the next five years, Houston will grow faster than any other major metro in Texas, according to the recently released report, *The Perryman Economic Forecast, Short-Term Outlook*

for the United States, Texas, and Major Texas Metropolitan Statistical Areas. Perryman states that between '12 and '17, Houston's real gross area product (GAP) will grow at a 5.0 percent compound annual rate (CAGR). The report states that the oil and gas industry, while cyclical in nature, will continue to drive the region's economy. The Port of Houston and other regional facilities will play greater roles "as global economies improve." Healthcare and technology businesses will also drive growth. Perryman calculates Houston's GAP at \$480.6 billion in '12, or \$394.5 in inflation-adjusted '05 dollars. By '17, Houston's nominal GAP will exceed \$708.6 billion, or \$503.6 billion in inflation-adjusted '05 dollars. Perryman forecasts mining, *i.e.*, oil and gas extraction, to grow at a 7.4 percent CAGR, durable goods manufacturing at 5.3 percent, services at 5.1 percent, manufacturing at 4.8 percent, wholesale and retail trade at 4.7 percent, nondurables manufacturing at 4.5 percent, transportation/warehousing at 4.4 percent, finance/insurance/real estate at 3.7 percent, construction at 3.2 percent, and government at 2.3 percent.

U.S. Economy Takes an Unexpected Dip

The U.S. economy unexpectedly shrank from October through December, the first quarterly drop since 2009 and a reminder of the economy's vulnerability as automatic cuts in government spending loom. The Commerce Department said the economy shrank at an annual rate of 0.1 percent mainly because companies restocked at a slower rate and the government slashed the defense spending. Those trends partly reflected uncertainty late last year about the fiscal cliff, which Congress averted January 1st. Economists say those factors could prove temporary, and the likelihood of another recession appears remote. Still, the sharp slowdown from the 3.1 percent annual growth rate in the July-September quarter, also driven by a drop in U.S. exports, raised concerns. Government spending cuts and slower company restocking, which can fluctuate sharply, subtracted a combined 2.6 percentage points from GDP. The economy appears to have "paused in recent months," the Federal Reserve said, mainly because of temporary factors. For all of 2012, the economy expanded 2.2 percent, better than 2011's growth of 1.8 percent. For 2013, analysts generally think the economy will grow at a steady if modest pace of 2 percent as the housing & auto sectors continue to recover along with bank lending and consumer spending.

Unemployment Rate

The Houston-area unemployment rate edged up in December to 6 percent, from 5.8 percent in November.

Statewide, the unemployment rate dipped to 6.1 percent in December down from 6.2 percent in November. The decrease marked the fourth consecutive month of a declining statewide unemployment rate.

The number of Americans seeking unemployment aid nationwide fell the week of January 14, 2013 to the lowest level in five years, evidence that employers are cutting fewer jobs and may step up hiring. The Labor Department said weekly unemployment benefit applications dropped 5,000 to a seasonally adjusted 330,000 which is the fewest since January 2008. The four-week average, a less volatile measure, fell to 351,750 which is the lowest in nearly five years.

Minimum Wage Increase

Many workers around the country won't be as lucky as the ones in Washington State, which raised its salary minimum even though it already has the highest state baseline in the country. Automatic minimum wage increases designed to compensate for inflation have pushed up salaries in some states, even through the recession, expanding the pay gap between areas that make annual adjustments and those that don't. Of the 10 states that increased the minimum wage January 1, 2013, nine did so automatically to adjust for inflation. Besides Washington, the change occurred in Arizona, Colorado, Florida, Missouri, Montana, Ohio, Oregon, Rhode Island and Vermont.

Benefits: Bonuses & Rewards

Whether it's a tight financial situation or a desire to send a message through more personal perks, companies are getting creative with their bonuses. Cash is nice, but sometimes it's not feasible. Some companies are giving extra days off as a reward for meeting a specific goal. Others are handing out movie passes and hams. And some companies are using their bonuses to send a message like the importance of teamwork. Companies want to thank and reward their employees as well as remind them that it can't serve clients without a committed team. Common bonuses include travel vouchers, movie passes, and lunches in nice restaurants. Other companies are offering more flexibility by letting employees work from home during the holidays. While the entertainment and meals are good options, a structured strategic and year-round recognition program is the most effective. Recognition, including the "on the spot" awards, should tie back to the company's mission. Several companies have set up point systems that reward employees for meeting goals such as productivity, safety, and cost savings. The points can be banked and redeemed for merchandise and travel, much like frequent-flier points.

Hiring Source Update – Construction of our New Office Continues . . .



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