

Houston's Job Growth

Metro Houston created 108,300 jobs in '18, according to the Texas Workforce Commission (TWC). That represents the fourth largest annual numerical gain on record. The year finished with Houston's economy supporting 3,178,700 nonfarm payroll jobs. Allowing for typical seasonal hiring and layoff patterns, Houston should surpass 3.2 million jobs by November of this year. The data for '18 are preliminary, however. A more accurate employment count will be available in early March when the U.S. Bureau of Labor Statistics (BLS) releases its annual benchmark revisions. The revisions could be substantial. In '05, BLS added 48,600 jobs to the initial count for Houston. In '08, BLS subtracted 35,700 jobs. Other indicators (office absorption, apartment leasing, the rig count) suggest BLS overstated, not understated, employment growth for Houston last year. But even reducing last year's growth by 18,000 jobs (the average downward revision of the past 30 years) leaves the region with 90,000 new jobs, well above the long-term average gain for the region. In a year when growth isn't overstimulated by high oil prices or depressed by low ones, the region creates 65,000 to 70,000 jobs. The revisions would have to cut job growth in half for '18 to have been a subpar year. Reductions of that magnitude are highly unlikely. That said, here's what the preliminary data suggest about Houston last year.

Houston Job Growth, Ten Best Years

Year	Net Jobs	Year	Net Jobs
'81	126,900	'97	106,000
'12	118,800	'90	98,400
'14	116,700	'98	92,800
'18	108,300	'05	91,100
'06	106,900	'07	91,000

Energy - The exploration sector finished the year with 800 fewer jobs and oil field services with 5,300 more than they started with. The boost in oil field services aligns with the increase in the rig fleet, up 125 over the year, and the drop in exploration and production jobs—primarily white collar office workers—aligns with media reports of an industry still streamlining operations and cutting costs.

Construction - Houston's construction industry added 19,400 jobs in '18, the second best year on record. Peak hiring was in '14, the height of the petrochemical construction boom. Construction added 19,700 jobs that year. Data reports that Houston-area construction starts exceeded \$19.9 billion in '18, the second best year on record. The best year on record was '14, with \$32.9 billion in starts, again the height of the petrochemical construction boom.

Manufacturing - The manufacturing sector added 15,600 jobs, another near-record. The best year for hiring was '11, the start of the fracking boom when manufacturing added 15,900 jobs then. Three-fourths of the gains (11,800 jobs) in '18 were in fabricated metals and oil field equipment, sectors benefiting from the rebound in exploration activity.

Wholesale and Retail Trade - The 4,700 jobs added in wholesale trade reflect the surge in drilling and manufacturing activity. Retail created only 800 jobs, a performance more in line with a recession than the robust growth the region enjoyed last year. Several factors served to suppress retail job gains: the closing of multiple Sears, Randalls, and Mattress Firm stores, the slowdown in sales of building materials as Hurricane Harvey recovery efforts abated, and the inroads of ecommerce. BLS may revise growth upward.

Financial Services - Banks continued to automate and close branches while insurance companies wound down the processing of Hurricane Harvey damage claims. Both factors affected employment growth in their respective sectors. Real estate and rentals (e.g., equipment, furniture and appliance leasing) benefited from population and job growth and the overall strong economy. While finance and insurance lost a combined 1,000 jobs, real estate and rentals added 3,500.

Professional Services - The sector added 28,500 jobs and accounted for one-fourth of the region's job gains. Given such robust growth, one would have expected stronger office absorption and stronger wage gains. Instead, office absorption was negative for the year and wage gains were tepid as reported by the Federal Reserve Bank of Dallas. The Partnership expects professional services employment to be revised downward.

Health Care - Health care cut 1,400 jobs in '17, the only year on record when the sector lost employment. Uncertainty over the fate of the Affordable Care Act, pressures to reduce costs, and poorly executed management strategies led to the losses. In '18, the sector returned to growth, adding 11,000 jobs, slightly above the long-term average.

Texas Unemployment

The unemployment rate in Houston hit a near-decade low 3.9 percent in December '18. That's down nearly half a point from 4.3 percent in December '17, but up 0.1 point from November. The last time the region's unemployment rate was this low was in April '08. Houston's rate exceeded that of both Texas and U.S. throughout the year, but typically not by more than half a percentage point. Among Texas' four major metros, Houston's unemployment rate fell this year while Austin's remained flat and Dallas' and San Antonio's ticked up slightly.

Texas Construction Employment at a Record High

Texas construction employment has reached a record high. The state's construction employment grew by 6.4 percent in 2018, adding 46,800 jobs, the most in the country. Between November and December, typically a slower time for construction, Texas added 4,500 jobs. Still, construction firms continue to worry about their ability to find the workers they need to grow. Nearly 4 out of 5 construction firms surveyed for the Associated General Contractors of America's hiring outlook said they were having difficulty filling positions, and two-thirds said they expected it will be as hard or harder to hire workers in 2019. "The construction industry ended 2018 in good shape in nearly all parts of the country, and contractors are optimistic about the volume of work available in 2019," Ken Simonson, the association's chief economist, said in an emailed statement. "But finding workers to execute those projects is likely to be a major challenge."

Fed Says Oil Prices May Hurt Job Growth

Job growth in the Lone Star State will likely weaken in the first half of 2019 if oil prices remain at current levels, according to the Federal Reserve Bank of Dallas. Changes in Texas job growth tend to lag big moves in the crude price by about six months. With the average price of West Texas Intermediate crude falling, the state's job growth will probably show a hit in the second quarter. Texas' unemployment rate was 3.7 percent in both October and November, the lowest level since the Labor Department data series began in 1976.

Record Job Run in U.S. Powers On

The U.S. labor market notched its 100th straight month of increased employment in January while sustaining robust wage growth, passing the tests posed by a federal-government shutdown, market volatility and uncertainty about the global economy. Nonfarm payrolls rose a seasonally adjusted 304,000 in January, the Labor Department reported February 1, 2019. The gain was well above last year's average monthly job growth and showed most private-sector businesses shrugged off the shut-down and kept on hiring. Wages rose at least 3% from a year earlier for the sixth straight month extending the best pay improvements since the recession ended in 2009. The unemployment rate rose to 4.0% last month from 3.9% in December. The Labor Department said the shutdown caused thousands of federal workers to be counted as on temporary layoff, contributing to the uptick. The rate has edged up the past two months since touching a 49-year low of 3.7% last fall. The jobs data reaffirms that the U.S. economy is on solid footing despite clouds on the horizon that had prompted forecasters to lower projections for global growth in 2019 and encouraged the Federal Reserve to pause interest rate increases. The jobs report showed employers added a net 70,000 fewer jobs in November and December, but for 2018 as a whole, the Labor Department revised up total job growth 2.674 million jobs from 2.638 million. Hiring last month increased in nearly every major category. The leisure and hospitality sector added 74,000 employees. Construction firms hired 52,000. The manufacturing, health care and retail sectors also added jobs. The federal government added 1,000 jobs,

despite the shutdown. Furloughed federal workers were counted on payroll in January because they received back pay for the time they missed. After years of soft gains, wage growth improved in the second half of last year. In January average hourly earnings for all private-sector workers increased 3.2% from a year earlier to \$27.56 an hour. The average workweek in January was unchanged at 34.5 hours. The report also showed that a broader measure of unemployment, which includes those too discouraged to look for work and those stuck in part-time jobs but who want to work full-time, rose to 8.1% in January from 7.6% the prior month. The rate, known as the U-6, was the highest since February 2018. Still, the tight labor market is drawing workers off the sidelines, including those with disabilities, lower levels of education and criminal backgrounds. The report showed the share of American adults working or looking for work rose to 63.2%, up a half percentage point from a year earlier.

Sources: Littler Mendelson P.C.; Houston Chronicle; Houston Business Journal; Wall Street Journal; Greater Houston Partnership