

## **Houston to Add almost 70,000 Jobs in 2014**

The Houston area will create 69,800 jobs in 2014, which is a bit of a slowdown from the past three years but still has Houston outperforming the nation. Houston has experienced phenomenal growth in recent years, mostly due to the booming energy business and increase in production from shale plays, which has trickled into other industries' bottom lines. For the 12 months ending September 30, 2013, the Houston area created 79,600 jobs, a 2.9 percent annual growth rate, lower than the 4.5 percent peak – with 119,300 jobs – during the 12 months ending February 2013. This frenetic pace of job growth couldn't be sustained indefinitely, and the 2014 forecast is a more normal and sustainable pace.

Houston's strong economy ranked it No. 4 on Forbes' list of "The U.S. Regions to Watch in 2014". Houston had gross domestic product growth of 12.3 percent between 2007 and 2012, and population growth of 11.5 percent during that time. Houston is one of the cities that have gained the most young college graduates since 2006, and the city is expected to add 140,000 new households by 2017 – the largest increase in the nation.

Several factors will drive 2014 job growth as the ramp-up in construction at area chemical plants, the backlog of projects at local engineering firms, growing consumer confidence and sustained population and income growth. Employment will grow across the board. Staffing and HR firms are expected to have the highest growth among all subsectors which is not a surprise given Houston's aging workforce and talent shortage.

During the recession from March '82 to January '87, the Houston region lost 221,200 jobs—one in every seven. Houston didn't return to its pre-recession employment level until March '90. The region suffered three more recessions over the next two decades, but none would permanently derail long-term growth. Nonfarm payroll employment exceeded 2.8 million in November '13, up from 1.6 million in January '89, an increase of 1.2 million jobs, or 76.8 percent. The region has gained more jobs than the current total payroll employment of Pittsburgh (1,188,800), Orlando (1,079,400) or Cincinnati (1,021,500).

## **Unemployment Rate in Houston**

In January '89, Houston's unemployment rate stood at 6.6 percent. In the ensuing 25 years, the rate has fallen as low as 3.5 percent and risen as high as 8.8 percent. The long-term average is 6.0 percent. The Texas Workforce Commission (TWC) reports the unemployment rate for Houston was 5.6 percent in November '13, the latest month for which data was available.

## Outlook Bright for Upstream

Houston owes much of its prosperity to the robust oil and gas industry. More than one in five jobs created since January 2010 has been in energy. The industry is poised to continue to grow in 2014. Technology advances in drilling efficiency have created a boom in production, despite the lower number of rigs. Production in Texas has surged, largely due to the Eagle Ford Shale in South Texas. The Eagle Ford produced a record-setting 1 million barrels per day in August. The Eagle Ford beat out the Bakken Shale in North Dakota for this milestone. Another area to keep an eye on in 2014 is the Permian Basin in West Texas. Exploration companies are using technology developed in the Eagle Ford to tap tight formations in the Permian, and Houston based exploration and service firms are poised to reap the benefits.

## Manufacturing Increases Employment

Houston has bucked the national trend in manufacturing. Local manufacturing plants employed 201,500 workers in January '90. TWC reported manufacturing employment of 253,100 in November '13, a 51,600 job or 25.6 percent increase over the past two decades. By comparison, U.S. manufacturers employed 17.6 million workers in January '90 and 12.0 million in November '13, a 5.6 million or 38.1 percent decrease. Houston's manufacturing strengths have changed little over the years. They remain in chemicals, refined products, plastics, oil field equipment, fabricated metal products, and food processing. Fabricated metal products and machinery manufacturing – both energy related – have added 33,100 jobs, or one in every 10 jobs Houston has gained since January 2010. Manufacturing activity in Texas factories increased for the eighth straight month in December, but at a slower pace than in November.

## Fortune 500 Corporate Headquarters in Houston

Houston first emerged as a corporate center in '71, when Shell Oil relocated its headquarters from the Big Apple to Space City. By '89, Houston boasted 27 companies on the *Fortune 500* list. Over the next 25 years, the number of Houston companies on the list fluctuated, but the region always remained among the top five metros. The names on the list have changed dramatically over time, however only four firms on the '89 list still exist. The others have been acquired, merged with other firms, or simply collapsed. Twenty-six Houston firms made the most recent Fortune 500 list in 2013 (listed below), and the metro ranks third behind New York (70) and Chicago (29), and ahead of Los Angeles (19), Washington D.C. (18), and Dallas-Fort Worth (18).

- ExxonMobil
- Phillips 66

- ConocoPhillips
- Enterprise Products Partners
- Sysco
- Plains All American Pipeline
- Halliburton
- Fluor
- Cameron
- KBR
- Group 1 Automotive
- CenterPoint Energy
- Enbridge Energy Partners
- Quanta Services
- FMC Technologies
- Targa Resources
- MRC Global
- Calpine

## **Job Growth Statewide**

The Houston-Sugar Land-Baytown metro area once again leads the state in job growth, adding 86,200 jobs in the 12 months ending November '13, according to the Texas Workforce Commission. The Dallas-Fort Worth metro ranked second, creating 83,700 jobs. Austin-Round Rock ranked third, creating 22,500 jobs.

Houston's unemployment rate fell to 5.6 percent in November, the lowest point since December '08, the month prior to Houston entering the Great Recession. Houston's unemployment rate peaked at 8.8 percent in June '11 and has trended downward ever since. Since the bottom of the recession, the metro area has added 354,200 net new jobs, or 231.4 percent of the 153,100 jobs lost during the recession. The Greater Houston Partnership forecasts the 10-county Houston metro area will create 69,800 jobs in '14, slowing from 2.8 percent last year to a still-robust 2.5 percent this year. Employment will grow in all major sectors, with professional and business services; education and health services; and trade, transportation and utilities turning in the strongest performances. Energy and manufacturing will grow, but at slower paces. The year should end with 2.9 million payroll jobs, a net increase of more than 500,000 jobs since January '05. Only two other metros—New York and Dallas-Fort Worth—will be able to make a similar claim.

## **Population Growth**

Texas added more residents than any other state this year over last, the Census Bureau reported December 30, 2013. With an estimated population of almost 26.5 million, the Lone Star State remains the nation's second most populous behind California. Texas topped its West Coast competitor by adding an estimated 387,397 residents in the year ending July 1, 2013. Rounding out the top five states in growth

were Florida, North Carolina and Colorado. Texas ranked fifth in percentage growth over the last year, behind North Dakota, the District of Columbia, Utah, and Colorado.

The Houston Consolidated Metropolitan Statistical Area had 3.6 million residents in '89. The metro population as of July 1, 2012, stands at 6.2 million, an increase of 2.6 million over 25 years. Given Houston's historical growth trends, the population likely exceeds 6.3 million today. Houston was the nation's fourth most populous city and 10th most populous metro area in '90. Both the city and the metro have grown since then, but the metro area has grown at a faster pace. The City of Houston (pop. 2,160,821) has a tight grip on fourth place, ahead of fifth place Philadelphia (1,547,607) but behind New York City (8,336,697), Los Angeles (3,857,799) and Chicago (2,714,856). The metro area now ranks as the nation's fifth most populous. The '90 Census found that one in eight Houstonians was born outside the U.S. Houston's foreign-born population has continued to grow and in '12 nearly one in four Houstonians was born outside the U.S. Regions of birth with Latin America (65.9 percent) and Asia (23.9 percent) being the largest ethnic groups.

### **Millennials Will Sacrifice an Office for a Gym**

While energy companies innovate in the oil fields, they are still known for being conservative internally. But with the war for talent, Houston companies are adopting innovative recruiting tactics, starting with paying attention to the way people like to work. Because the newest recruits are Millennials, employers have to think about the way the incoming generation likes to work. In college, students have choices of quiet rooms in the library, a more lively group table in the dining area or commons, or a computer room for projects and the Millennials retain that preference for choice in the workplace. Companies are adopting more "we" space and less "me" space meaning more quiet lounge areas, smaller conference rooms for two to four people, internal coffee bars, outdoor work space and bench-style seating. "We space" leads to higher performance since teams are more successful when they take breaks together.

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