

Employment Update

Potentially One of the Best Years On Record in Houston

The Houston metro area added 88,000 net new jobs, a 3.4 percent annual increase, in the 12 months ending May '12, according to the Texas Workforce Commission. Since May '11, the private sector has grown by 94,200 jobs, a 4.3 percent increase over the year. If not for the continued losses in the government sector, the region would be growing at a rate of 100,000 or more jobs per year. Houston is the strongest of all the major metro economies in the U.S., and if job growth continues at the current pace, this may be one of the best years on record for the region. In December '11, the Greater Houston Partnership forecast the region to add 84,600 jobs. The current pace of job creation is in line with that forecast. The three fastest growing sectors since May '11 were employment services (8,700 jobs, 13.0 percent annual rate), oil and gas extraction (5,200 jobs, 11.1 percent annual rate), and ambulatory health care (13,800 jobs, 10.8 percent annual rate). These sectors also led Houston out of the recession. While the region did not return to its previous employment peak until October '11, the employment services sector regained all of its jobs in July '11, oil and gas extraction recouped all of its jobs lost in June '10 and ambulatory healthcare never posted job losses. Construction has grown by 1,900 jobs, a 1.1 percent increase, since May '11. Growth is anticipated to continue in this sector as Houston sees employment growth in heavy and civil engineering construction. The region is benefitting from the announced chemical plant expansions by Dow, Chevron Phillips and other major players in the petrochemical industry. Construction employment should continue to grow as more projects are announced and the current projects move deeper into their project cycles. The region added 8,500 jobs for the month of May, which is consistent with recent trends. Continued growth in durable-goods manufacturing, most of which is related to equipment for upstream oil & gas activity is particularly encouraging.

Weak Oil Prices Not Cause For Concern

The recent weakness in oil prices has yet to impact the local economy. The North America rig count remains above where it was this time last year. Employment in the oil and gas sector remains healthy. The U.S. Energy Information Administration (EIA) projects a recovery in prices later this year. Approximately half of *base employment* in Houston, those sectors of the economy where the jobs are tied to exporting goods and services outside the region, are tied to energy. Over the past 12 months, employment in extraction has grown 10.9 percent, in oilfield services 5.7 percent, and in equipment manufacturing 7.6 percent. Oil prices slid in recent weeks over concern about the European debt crisis, slowing growth in China, and weak U.S. economic performance. European leaders agreed in June to create a single supervisory body to oversee the eurozone's banks, helping to avert another crisis. As a result, oil prices in Europe and the U.S. rebounded. Any improvement in China's and the U.S. economic outlook would further strengthen oil prices.

Shale Boom to Fuel 1.5 Million Jobs by 2015

The shale gas boom will account for nearly 1.5 million new jobs by 2015, employing hundreds of thousands of workers across 48 states, even though some companies are cutting back on production. Soaring investment in unconventional gas production accounted for 1 million jobs in 2010 and will continue to have an effect on the national economy, contributing \$197 billion to annual U.S. gross domestic product by 2015. That total will increase to \$332 billion by 2035. Job growth related to unconventional gas production, in both producing and non-producing states, will increase to 2.4 million by 2035. The independent study was commissioned by the industry-backed America's Natural Gas Alliance and is part of a series by IHS Global Insight. Nearly \$3.2 trillion in cumulative investments in unconventional gas development are expected to fuel the economic growth related to the industry from 2010 to 2035. At a time when the U.S. economy is slowly recovering from the Great Recession and struggling to create enough jobs to sharply reduce the unemployment rate, the growth in shale and other unconventional natural gas production is a major contributor to employment prospects and the U.S. economy. Major investments in industrial projects, like several multibillion-dollar petrochemical plants already in the works in Texas, likely will contribute to growth in American gas demand that will draw continued spending on natural gas production. Texas will see by far the most job growth because of the boom, with 288,222 new jobs already attributed to unconventional gas production as of 2010. That number will grow to 385,318 in 2015 and 682,740 by 2035.

A New Resident Every Five Minutes

The Houston metro area added 110,000 residents over the past 12 months, more than half through natural increase, the remainder from residents moving here from overseas and elsewhere in the United States. This is only slightly off the pace of the previous decade when Houston added an average of 123,000 residents per year according to data released recently by the U.S. Census Bureau. The bureau estimates that 58.5 percent of the region's growth came from natural increase, (*i.e.*, the births minus deaths), 21.9 percent came from international immigration, (*i.e.*, people moving here from overseas) and 19.6 percent from domestic immigration (*i.e.* people moving here from elsewhere in the U.S.). The Census accounts for the fact that people move out of the region as well, thus producing an estimate of net change due to migration.

Houston Has Highest-Paid Lawyers in Texas

Houston has the highest paid lawyers in Texas. The Houston-SugarLand-Baytown metropolitan statistical area's 9,960 lawyers made an average of \$163,810 in 2011, according to the U.S. Bureau of Labor Statistics. That ranks the area No. 8 among the 363 markets in the analysis. The No. 1 market is San Jose, California where the average annual pay for lawyers was \$187,110 in 2011. After Houston, the other Texas markets to make the top 25 are No. 12 Longview at \$153,870, No. 16 Odessa at \$149,410, and No. 25 Dallas-Plano-Irving at \$142,800. The national average is \$130,490.

Texas Riding Winning Streak in Jobs

Houston and the rest of Texas continue to avoid the renewed job woes that have shaken the national economy of late. The state added 12,500 nonfarm jobs in May, the TWC reported June 15, 2012. This marked the 22nd straight month of growth. Since May 2011, the state has added 237,100 jobs. Over the past year, private sector employment in Texas has shown an encouraging 3.3 percent annual growth rate. It is a positive sign that a number of Texas industries added jobs in May, led by professional & business services, with an increase of 8,500 jobs. Excluding government, which continues to shed jobs, Texas gained 287,800 private-sector jobs over the past 12 months. May unemployment for Houston and Texas rose to 6.9 percent, up from 6.5 percent in April. The U.S. unemployment rate for May was 8.2 percent. The monthly unemployment rate has been lower for Texas than the country overall for five years and five months.

U.S. Economy Struggling to Create Jobs

The U.S. economy generated a paltry 80,000 jobs in June, showing that the nation's job-creation machine is stumbling even as voters' attitudes about the economy begin to get ahead of the November election. The unemployment rate is unchanged at 8.2 percent, the Labor Department reported Friday. Job-creation has stumbled since March amid worries about consumer spending, the debt crisis in Europe and stagnation in Congress. The government said the economy created 1,000 fewer jobs during April and May than previously estimated. The somber report might push the Federal Reserve closer to taking new actions to lower borrowing costs to encourage companies to increase hiring. Analysts polled by Reuters expected an increase in payrolls of 90,000 jobs. Debt woes have bogged down much of Europe, sending some countries into recession. The euro-zone crisis in turn has dulled economic growth around the world from China to Brazil. A survey on Monday found U.S. manufacturing contracted for the first time in nearly three years in June. Europe is not the only worry weighing on the U.S. outlook. Washington plans enough belt-tightening at the start of 2013 to easily send the economy into recession. Cautious observers wonder if lawmakers can avoid this "fiscal cliff." Job creation averaged 75,000 per month during the second quarter, compared with an average increase of 226,000 in the first quarter. Until recently, the United States had been a relative bright spot in the global economy, especially in manufacturing. Most economists still expect lackluster growth over the rest of 2012 rather than a slip toward recession. But economic weakness abroad has lately become a formidable hurdle, as Obama has acknowledged, and global policymakers are acting like a storm is brewing. China, the European Central Bank and the Bank of England all eased monetary policy on Thursday, raising speculation they had coordinated their action. The Fed eased policy further last month, but the recent run of weak data has fueled speculation the U.S. central bank could deliver more stimulus when its next meeting concludes on Aug. 1. Even though June's pace of hiring was decidedly weak, the Fed might not want to unveil bold new measures now because the real storm could be months down the road. "Hiring isn't as strong as earlier this year ... but not to the point where you see obvious need for Fed action," said Cooper Howes, an economist at Barclays in New York.

Littler Executive Summary

Those in charge of hiring and the management of human capital at America's corporations have expressed guarded optimism about their own hiring outlook for 2012. They think the next president, regardless of who he is, will assign a great deal of priority to policies thought to create jobs. They also recognize today's job market presents some incredible barriers for workers. The confluence of these three factors – the market for new jobs, the presidential election, and the various issues impacting workers – come together to form a portrait of today's job market as corporate decision-makers see it. Specifically:

- A full 71 percent of respondents plan to hire, either cautiously or aggressively, during the next 12 months, while just 9 percent plan to lay off full-time employees. Expectations for more outsourcing are virtually non-existent.
- Most respondents think that either a second-term President Obama or a newly elected President Romney would assign a high priority to policy they think would create jobs. However, Romney fares better than Obama on this issue, at 85 percent to 70 percent.
- Underemployment, difficulty transitioning away from a job that is not a good fit to one that is, and a removal of resources, continue to be barriers to today's job market. Sixty-seven percent of respondents say that underemployment is continuing to impact the workforce, while 85 percent say that job immobility is still an issue and 91 percent indicated workers today are being asked to do more with less.

As respondents see it, there is not a great deal of uncertainty regarding *how much* the next president will focus on job creation. Respondents expect both candidates would take a proactive role in job creation. What those job-creation measures end up being, and whether or not they complement an improving labor market or just get in its way, is another matter entirely.

Either way, most respondents expect their companies will hire new workers, while far fewer say that more layoffs are looming. This supports other positive signals on the jobs front. Namely, that during the past three years, the low months for job growth have been faring progressively better. This is true even though job creation is far below what has been experienced immediately following past recessions.

Respondents balanced this guarded optimism with a reminder that today's job market has barriers that are preventing more productivity. Underemployment, job immobility, and a removal of resources are three primary barriers respondents noted, and they serve as a reminder of the magnitude of the jobs crisis that both workers and corporations face.

In April and May of 2012, Littler distributed the Executive Employer Survey via email to in-house counsel, human resources and C-suite executives primarily throughout the U.S. The results were tabulated, analyzed and released in June 2012. Companies represented were of a variety of sizes: LargeCap, MidCap, and SmallCap.

Salaries Expected to Rise for the College Class of 2012

The overall median salary for the Class of 2012 college graduates is up 4.5% over the median posted by the Class of 2011, according to a new survey published by the NACE (National Association of Colleges and Employers). NACE's April 2012 Salary Survey report shows the overall median starting salary for a bachelor's degree graduate has risen to \$42,569 for the Class of 2012 from the final median salary of \$40,735 for the Class of 2011. The overall median salary increase is the result of gains throughout most sectors. Education and communications majors are seeing the most significant increases to their median salaries over last year. Graduates with education degrees are entering the workforce with a median salary of \$37,423, 4.5% higher than the \$35,838 earned by the Class of 2011. Following closely behind, communications majors are seeing a 3.8% increase in their median salary, climbing to \$40,022 from \$38,549 earned by the Class of 2011. Other median salaries include:

- Math & Science \$40,939
- Computer Science \$56,383
- Business \$47,748
- Humanities and Social Sciences \$34,789
- Engineering \$58,581
- Health Sciences \$43,477

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



Sources: Greater Houston Partnership; Houston Chronicle; Houston Business Journal; MSNBC; Kerry Notestine, Shareholder at Littler