

Employment Growth in Houston Cooling

The Houston-Sugar Land-Baytown Metro Area added 91,600 jobs in the 12 months ending May '13, a 3.4 percent increase, according to data recently released by the Texas Workforce Commission (TWC). That's down from 106,000 jobs and a 4.0 percent annualized rate for the 12 months ending April '13. The slip in Houston's growth rate is not unexpected, nor is it something to fret over. Employment in Houston has grown between 3.8 and 4.5 percent (annual rate) since May '12, a pace clearly not sustainable. Over the past 10 years, employment growth in Houston has averaged 2.0 percent annually. Woods & Poole forecasts employment to grow 2.1 percent annually through '20. Economist Ray Perryman forecasts employment to grow 2.4 percent annually through '17. And the Greater Houston Partnership's forecast issued in December called for growth of 2.8 percent this year. Houston's 3.4 percent annualized rate is still twice the nation's current rate of 1.6 percent. And though our growth has slowed, Houston ranks as the second-fastest growing major metro area. Furthermore, since the bottom of the recession, Houston has added 304,900 net new jobs, an increase of 12.3 percent in total employment in the region. Only the New York metro area, with three times Houston's population, has added more jobs. No other major metro has grown faster than Houston. Employment is higher now than at any point in Houston's history.

Job Growth in Energy, Manufacturing & Engineering

A basic rule of economics holds that a region's economic base must grow for its secondary sectors to grow. The base includes those industries that export goods and services outside the region. In Houston, the economic base mostly includes energy, most local manufacturing, and a substantial amount of engineering. As businesses in the base pursue opportunities outside the region, new money flows into the region. That inflow supports growth in the secondary sectors. In Houston, secondary sectors include retail, restaurants, real estate, health care, and so on. Another way to look at this—the base drives the economy while the secondary sectors ride in the back seat. Job growth (or loss) in Houston's secondary sectors lags growth in the economic base. Also job growth in Houston's base peaked about this time last year and has been cooling off ever since. Job growth in the secondary sectors should soon slow as well. This suggests a gradual slowdown in overall employment growth should occur in the near future. Again, this is not something to fret over. As Bill Gilmer, director of the Institute for Regional Forecasting at the University of Houston recently said in the *Houston Chronicle*: "It means that Houston will only be growing twice as fast as the rest of the country instead of three times as fast."

Every Sector in Houston Gained Employment

The region continues to grow. Every sector gained employment over the past 12 months, with education and health, retail, and professional services sectors adding the most jobs, while the energy, construction, and wholesale trade sectors grew the fastest. Several factors are driving job growth. Oil prices have not fallen below \$70 per barrel since May '10. Long-term expectations of cheap, abundant natural gas have spurred a boom in chemical plant construction. Growth in energy employment is driving demand for office and industrial construction. Manufacturers continue to produce oil field equipment for the exploration industry. Houston's ongoing expansion supports growth in wholesale trade in general. Though employment in air transportation remains below its pre-recession level, trucking, waterborne shipping, pipeline and warehousing have helped offset the decline. Finance is finally recovering from the economic meltdown of the Great Recession. The surge in home sales and commercial leasing activity has boosted employment in real estate. The information sector--which includes media, software and telecommunications--benefits from Houston's ongoing expansion. This year has been a good year for conventions and trade shows that support growth in the leisure and hospitality industry. Population and income growth has spurred retail hiring, employment in education and health, the demand for other (*i.e.*, consumer-related) services, and the region's flourishing restaurant scene (a subsector of leisure and hospitality). And the recovery of property and sales tax revenues has allowed school districts and state and local governments to replace workers laid off in the recession and hire new workers to accommodate the needs of a growing population.

Oil & Gas and Energy-related Manufacturing Hiring Has Slowed

A slowdown in growth in oil and gas exploration coupled with energy-related manufacturing has put a bit of a damper on Houston's red-hot economy. Job growth in Houston is slowing because it's not getting much of a boost from the national economy per Bill Gilmer, director of the Institute for Regional Forecasting at the University of Houston. The incremental slowdown in oil and gas took the edge of the wonderful gee whiz numbers we were seeing late last year and early this year. The sluggish national economy has also put a damper on the ability of Houston's non-energy companies – including transportation and financial firms – to grow as aggressively as they could. They're still plugging along at a pedestrian pace. The Houston area unemployment rate was 6.4 percent in May, up from 6 percent in April, according to Texas Workforce Commission. The comparable U.S. jobless rate was 7.6 percent for May.

Chemical Companies Looking for Labor

The petrochemical business long operated under the radar, trying not to draw attention as it rode the boom and bust cycles of the industry. But that's changing as shale production has promised a steady supply of low-cost natural gas, which the chemical industry uses for fuel and feedstock. Chemical companies have become economic players – an expansion estimated at more than \$15 billion is underway at plants along the Texas Gulf Coast – and supplicants on the labor market. Chemical companies are feeling the impact of the aging labor force and the shale

gas boom on the industry. Companies are expanding and competing for the same people as they recruit from universities. They may need to bring in workers from far beyond the Houston region since competition has become tough.

Employment: Natural Gas in Texas

- Texas is the king of natural gas industry employment.
- With 1.3 million natural gas jobs, Texas dwarves the other natural gas job employment of other states.
- Texas provides five times more jobs than the second largest natural gas employer in the nation – Louisiana.
- 12 percent of total employment in Texas comes from the natural gas industry.
- \$107,000 – the average salary of a natural gas and oil worker.
- \$23.16 – the hourly wage of shale gas sector

Employment Growth Rates - 5 Most Populous U.S. Metro Areas '12 – May '13

Dallas 3.6

Houston 3.4

Tampa 2.9

Phoenix 2.7

Boston 2.5

Source: U.S. Bureau of Labor Statistics

Hiring is Looking Up Nationwide

U.S. companies stepped up hiring last month, a private survey showed. And the government says fewer people applied for unemployment benefits during the last week in June. Job gains could lower the national unemployment rate, which is still high at 7.6 percent, and help economic growth rebound in the second half of the year. Economists forecast that the June job report will show employers added 165,000 jobs. That's roughly in line with the average of 175,000 jobs a month the economy has gained in the past 12 months. The unemployment rate is expected to remain at 7.6 percent which is down from 8.2 percent a year ago. The report had some economists suggesting that the June job gains could be higher than forecasted. Payroll provider ADP said businesses added 188,000 jobs in June, up from 134,000 in May, and the most since February. Construction firms added 212,000 jobs, a sign the housing recovery is boosting hiring. Small businesses – those with less than 50 employees – added 84,000 jobs. The number of Americans applying for unemployment benefits fell 5,000 to a seasonally adjusted 343,000 last week, the Labor Department said in their report.

Hiring Source Update

Thanks to the support of all of our clients and candidates which has enabled us to purchase land and construct a building to operate our firm. We are proud to announce Hiring Source moved into our new building at 919 W Gray, near the intersection of Montrose Blvd., on Friday, June 28th.

All phone numbers and email addresses remain the same:

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

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