Houston Area Employment Unchanged

Houston area employment was unchanged in May at 2,995,100 jobs, the same level at which employment stood in April. The region lost jobs in several sectors, added jobs in several others, and remained essentially unchanged in a few more. The gains offset the losses, resulting in the zero net job growth for the month. In the 35 years for which employment data are readily available, this status is unprecedented—Houston recording neither job gains nor job losses in a month.

Examining job growth over a 12-month period helps to smooth out the impact of seasonal factors (retail hiring in the fall, education layoffs in the summer) that occur every year, and helps place current job growth in the context of historical job growth. For the 12 months ending May 2016, the region created 5,100 jobs, a far cry from the 66,400 jobs created in the 12 months ending May 2015, or the 98,500 jobs created in the 12 months ending May 2014.

The most recent 12-month total underscores the weakness in Houston's economy. If Houston experiences job losses in June, something that has occurred only twice in the past 35 years, Houston's 12-month total may turn negative. That said, the job losses would need to exceed 2,000 to drop Houston into the red for the 12-month total.

Since December 2014, the start of the energy downturn, manufacturing has lost 31,300 jobs, energy, 24,700 jobs, professional services, 18,200 jobs, and trade, transportation and utilities, 12,100 jobs. Over the same period, hotels, restaurants and bars have added 25,600 jobs, health care, 20,100 jobs, government (mainly education) 9,900 jobs, and arts, entertainment and recreation, 6,300 jobs.

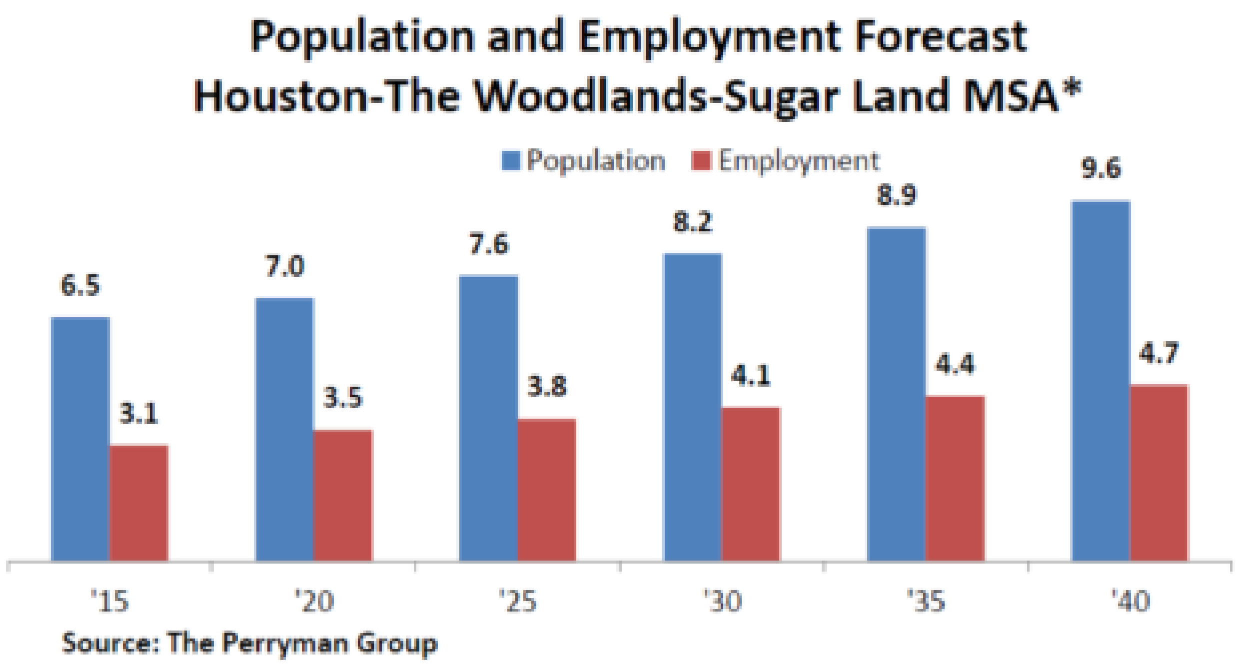
Houston's unemployment rate remained unchanged in May at 4.8 percent. The Texas rate was also unchanged at 4.2 percent. The U.S. rate dropped from 4.7 in April to 4.5 percent in May. The Houston rate is now above that of the U.S. The rates are not seasonally adjusted.

Job Growth Worst in City and State Since 1990

Texas and Houston had the worst job growth in May in at least a quarter-century as the energy bust spread across the economy to undermine hiring in sectors from construction to professional services to hotels and restaurants. Texas created just 200 jobs in May after adding nearly 12,000 in April, the Texas Workforce Commission reported. In the Houston metropolitan area, employment was unchanged from April; over the past year, Greater Houston has gained just over 5,000 jobs, compared to more than 65,000 jobs during the same period last year and nearly 100,000 in 2014. It was the worst May performance for both the state and the region since at least 1990, when the state and federal governments began collecting employment data in the current format. Houston's unemployment rate rose to 4.8 percent last month, up nearly a half-percentage point from a year earlier. Unemployment was 4.2 percent in Texas last month and 4.5 percent nationally. The state and region are caught up in the worst energy bust in 30 years, following a collapse in oil prices that forced companies to take drilling rigs out of operation and lay off workers by the thousands. Mining and logging, a sector dominated here by the oil and gas companies, continued to bleed jobs in May, shedding another 2,800 across the state and nearly 46,000 over the past year. Since the end of 2014, Texas has lost one in five mining and logging jobs. The goods producing sector, which includes mining and logging, construction and manufacturing, has shed jobs for 16 consecutive months. Construction lost 3,400 jobs last month. Manufacturing which depends heavily on the energy industry, slashed 2,200 jobs last month, bringing their job losses to 37,000 since May 2015. Some positive signs include the number of hours that manufacturing workers put in recently and that Texas added 13 more operating rigs.

Population and Employment Forecast

Despite the current slump, Houston's long-term outlook remains bright, according to the latest report by The Perryman Group. "The Houston-The Woodlands-Sugar Land MSA has stabilized after adjusting to job losses associated with lower oil prices," the report notes. "Although additional fallout may well occur, it appears that the area is set for stronger growth. Over the long term, oil price recovery will lead to a resurgence in energy sector businesses, adding to the expansion across the rest of the area economy." Perryman forecasts Houston's real gross area product (GAP) to grow at a 3.35 percent annual rate over the next 25 years, topping $1.12 trillion in 2040. Almost 1.63 million net new jobs are projected to be gained over the forecast period, a 1.70 percent annual rate. Every sector except agriculture will add jobs, with wholesale/retail trade, government (which includes public education), and services accounting for 85 percent of all growth. Output will expand in every sector, with mining, manufacturing, and services representing 61 percent of all gains. The forecast calls for the nine-county metro area population to reach 9.6 million, about the same level as the present-day population of metro Chicago. The report notes that business cycles are inevitable, but that moderate U.S. growth will characterize the long-term, with unemployment rates trending downward and tighter labor markets in the future. The report also expects the Federal Reserve to slowly raise target interest rates and the retiring of Baby Boom generation to create skills gaps in some trades and professions. It also expresses concern that a decline in the labor force participation rate could adversely affect U.S. living standards in the future. "With a large and growing percentage of the population not working, pressure will increase for those who do have jobs to generate output, income, and tax receipts," the report notes. U.S. GDP, measured in 2009 dollars, should more than double, the U.S. should gain another 63 million residents, and the economy should support an additional 62 million jobs by 2040.



Despite the oil industry's turmoil, the Texas economy continues to expand at a modest pace, the report notes. A primary reason for the state's continued success is the increasingly diverse nature of the economy. On balance, The Perryman Group's most recent long-term forecast indicates the Texas economy is likely to continue to see moderate growth. Ray Perryman, the firm's president and CEO, expects Texas GDP, measured in 2009 dollars, to more than double, reaching $3.5 billion in 2040, the state to add another 12.0 million residents, bringing the population to 39.0 million, and the Texas economy to create an additional 6.2 million jobs. But he adds a note of caution: "Texas also needs to deal with unfunded pensions; restructure programs in crisis such as indigent health care, foster care, and child protective services; improve education at all levels, and make a dent in infrastructure shortcomings." Otherwise, he says, the state faces slower growth and the necessity of committing even more resources to public needs.

As Oil Prices Rise, Companies Poised to Hire Again

Coming soon to the oil patch: job applications. It could take another two months, but rising crude prices could finally spur Texas drillers to begin rehiring workers in August, a regional economist said. That would be welcome news for an industry that has shed one in three jobs across the state, not to mention the local economy. With oil prices near $50 a barrel, a dozen oil producers, such as Devon Energy and Pioneer Natural Resources plan to plow an extra $600 million into the U.S. oil patch this year, which means more rigs, more drilling permits and – eventually – more jobs. Of course, the oil market could stumble between now and August. Analysts say the financial turmoil in the United Kingdom, following its vote to leave the European Union, could spread to major trading partners in the rest of Europe, the U.S. and Japan, and dampen world's growing demand for energy. But Karr Ingham, a Texas oil economist, believes the long-awaited recovery that is just getting underway won't come to a sudden halt. Ingham estimates Texas has lost more than 100,000 jobs from oil-producing companies and their equipment suppliers and service providers. That's a third of the state's energy workforce and it's a major chunk of the production jobs Texas added after the shale oil boom began in 2010. Rehiring drilling crews, geologists and engineers will take time, likely beginning about six months from crude's bottom, hit in February at about $26 a barrel. But as drilling becomes more efficient, the industry probably won't regain every job it cut. From a financial standpoint, it's a lot easier for companies to decide to cut jobs than add them. At its peak in late 2014, the Texas oil industry had 306,000 upstream jobs, according to Ingham's estimate. That fell to 205,000 in May.

Executive Employer Survey Report by Littler

Littler, leading global employment law firm, released its fifth annual Executive Employer Survey Report this month. The survey results provide insight into the key legal, economic and social issues impacting employers as the 2016 presidential election approaches. As employers continue to grapple with momentous new legal requirements, this year's report shows that the more than 800 in-house counsel, HR professionals, and C-suite executives who completed the survey are bracing for further shifts in the regulator and enforcement landscape, while at the same time scrambling to keep up with the rapidly changing social norms in the workplace. Some of the key findings include:

- 82% expect DOL enforcement to impact their workplace over the next year. This is largely driven by the new overtime rules, which 65% began preparing for by conducting audits prior to the release of the final rules.
- 74% expect more discrimination claims over the next year related to the rights of LGBT workers (up from 31% in the 2015 survey) and 61% expect more claims based on equal pay (up from 34% in 2015).
- Companies are taking a range of actions to prevent workplace violence, including zero-tolerance workplace policies (52%), pre-employment screenings (40%) and training programs (38%).

U.S. Economy on Rebound

The U.S. economy roared back to life in June, creating the most jobs in eight months, but the energy sector continued to struggle from the lingering effects of the oil bust. Strong growth in healthcare, business and professional services, and leisure and hospitality more than offset continued job losses in oil, gas and related industries, the Labor Department reported. Overall U.S. employment grew by 287,000 jobs last month – the largest monthly increases since October. The mining and logging sector, which includes drilling and energy services companies, lost another 6,400 jobs. The sector has shed nearly 130,000 jobs, or about one in six, over the past year, according to the Labor Department. In a separate report, the Federal Reserve Bank of Dallas estimated that Texas oil and gas companies cut 35,000 jobs in the first four months of 2016. "The U.S. oil and gas industry continued contracting," the Dallas Fed said in the report. "Bankruptcies and associated debt spiked in the second quarter." For much of the past year, energy has been a drag on a steadily improving U.S. economy and strengthening labor market. The nation has added some 2.4 million jobs over the past year, and the unemployment rate has fallen nearly a half percentage point in the last 12 months. In June, unemployment edged up to 4.9 percent from 4.7 percent in May, but the increase was largely the result of more people looking for work, another sign of an improving economy. The number of discouraged workers, or those who have stopped looking for jobs because they believe none are available, dropped by 151,000 people in June, according to the Labor Department. In another positive sign, average hourly earnings rose last month to $21.51 up 2.6 percent over the year. The strong employment report helped calm fears of a looming recession that followed unusually weak job growth in May, when employers added just 11,000 jobs, and the recent "Brexit" vote in the United Kingdom.

The news was not all bad for oil and gas, either. The Dallas Fed noted that oil prices have climbed from their February low of about $26 a barrel to near $50 a barrel – a level at which many producers say they can make money. The higher prices have improved the outlook of oil and gas producers and increased activity in the oil patch. Drillers are putting rigs back into operation; they dispatched 10 more oil rigs to the field bringing the nation's overall rig count to its highest point in four months, Baker Hughes said. Job cuts have begun to slow, too. In the first quarter of the year, oil companies shed nearly 50,000 jobs; in the second quarter about 28,000, according to outplacement firm Challenger, Gray & Christmas. Most analysts expect oil's recovery to advance slowly as global markets work through the glut of oil and natural gas and prices increase gradually. But another factor also could weigh on rebound: a labor shortage. Energy companies have cut jobs so deeply during the extended downturn that they may not be able to find enough workers to ramp up production as oil and gas markets improve, according to Goldman Sachs. They estimate the number of rigs in operation could more than double by the end of next year, to about 900, but many of the laid-off workers needed to operate them have found jobs in technology, manufacturing and other industries, which will make it difficult to get them back to the oil patch. Oil producers and the companies that make drill bits and dispatch crews for hydraulic fracturing, or fracking, would have to bring back 80,000 to 100,000 jobs in Texas and other energy-rich states to get shale fields pumping greater volumes of oil again.

Job Gap Widens Between College and High School Grads

A structural shift in the job market following the most recent economic recession has radically changed the composition of the American workforce, with four-year college graduates for the first time constituting a larger share of the workforce than those who got a high school diploma but don't have a college degree, according to a report by Georgetown University Center on Education. Researchers at the center found that out of the 11.6 million jobs created in the post-recession economy, 11.5 million went to people with at least some college education. Of those jobs, 8.4 million went to workers with a bachelor's degree or higher. People with a high school diploma or less education landed 80,000 jobs in the recovery. "The trend away from an economy that was anchored in high school to an economy anchored in post-secondary education and training has accelerated in the last two to three recessions," said Anthony Carnevale, Director of the Georgetown Center and lead author of the report. People with at least a bachelor's degree now make up 36 percent of the workforce, the largest share on record. Those with a high school diploma but no college education make up 34 percent of the working population, while people who have taken some college classes comprise the remaining 30 percent.

Sources: Greater Houston Partnership; Houston Chronicle, Houston Business Journal, Littler Executive Employer Survey Report