Job Growth Continues to Improve

Metro Houston added 6,700 jobs in May, the gain on par with the region's 20-year average of 6,800 jobs for the month. Houston added 45,300 jobs in the 12 months ending in May 2017, a significant improvement over the comparable period a year earlier, when the region added only 4,000 jobs.

Five sectors accounted for the bulk of Houston's gains over the past 12 months—employment services, public education, food services, health care, and fabricated metal products. Collectively, they added 48,800 jobs.

Five sectors accounted for the bulk of Houston's job losses—construction, machinery manufacturing, wholesale trade, mining and logging, and architectural and engineering services. Collectively, they lost 18,200 jobs. Smaller gains and losses were scattered across the remaining sectors.

The Big Gainers:

Employment services (largely contract workers) added 14,700 jobs in the 12 months ending May 2017, a record gain for the sector. This development bodes well for Houston. Growth in employment services tends to lead growth elsewhere in the economy. In the initial stages of a recovery, firms are more likely to engage contract workers to handle any increase in business before adding permanent, full-time staff. However, the strong gains in this sector may also reflect a structural shift with more workers joining the "gig" economy.

Public education (i.e., school districts, community colleges and state-funded universities) added 12,100 jobs over the past 12 months, one of the strongest May-to-May performances on record. Two factors are driving job growth—expanding school enrollments and rising property values, the latter leading to rising school district revenues that allow hiring more educators and ancillary staff.
Strong job growth in food services helped to offset losses elsewhere during the downturn, but that trend has begun to abate. Annualized job growth has trended downward since January 2016. The sector added 9,200 jobs over the past 12 months, the lowest May-to-May job growth in the past six years.

Uncertainty over the future of the Affordable Care Act and internal strife at several Texas Medical Center institutions has begun to weigh on health care and social services. The sector added 7,100 jobs over the past 12 months, the weakest 12-month performance in five years.

Fabricated metal product manufacturing (e.g., pipes, valves, flanges, and structural steel) added 6,300 jobs in the 12 months ending in May. That's a near-record 12-month gain. The last time the sector saw such a hiring binge was in Q1/12 and Q2/12 when the drilling boom was underway and the U.S. had 1,900 rigs prospecting for oil and gas.

Given that fewer than 1,000 rigs are working today, job growth in this sector may be overstated and may well be revised later.

The Big Losers:

Office, industrial and retail construction are at fraction of their recent peaks. The chemical plant construction boom has begun to wind down as well. No surprise that construction lost 5,300 jobs over the past 12 months.
Machinery manufacturing cut 4,900 jobs, most of the losses in the oil field equipment subsector. Though oil field services added jobs, losses in exploration more than offset those gains. Mining and logging (in Houston, almost entirely oil and gas) lost 1,700 jobs over the year.

Wholesale trade and architectural and engineering services, both heavily tied to energy, lost 3,800 and 2,500 jobs, respectively, over the period.
The May unemployment rate for Houston was 5.1 percent, down from 5.3 percent in April but up from 4.9 percent in May 2016. Texas' unemployment rate was 4.4 percent in May, down from 4.5 percent in April but up from 4.3 percent in May 2016. The U.S. rate was 4.1 percent in May, unchanged from 4.1 percent in April and down from 4.5 percent in May 2016. The rates are not seasonally adjusted.

Strong Texas Growth for Jobs

Texas posted another month of strong job growth in May, the Texas Workforce Commission reported, led by oil and gas jobs that are rushing back as producers send rigs back to work. The state added 14,800 positions last month, bringing the annual growth rate to 2.2 percent – a significant improvement from the 1.8 percent rate at which the state was growing at the end of 2016. Oil & gas led job growth in May with 6,600 new jobs amid fears that labor shortages could curtail the recovery of drilling in the red-hot Permian Basin. Construction and financial activities followed, adding 3,400 and 3,200 jobs over the month respectively. Houston fared well too, bringing its annual job growth rate up to 1.5 percent, accelerating from 1.4 percent in April and 1.1 percent in March. Hospitality and leisure was the biggest driver, delivering the largest one month jump on record for May.

Houston's unemployment rate stood at 5.1 percent, which is only slightly above where it was at this time last year and down from its oil bust high of 5.9 percent in February. The oil and gas rally has spurred activity across industrial sectors, with manufacturing and construction also adding positions – a turnaround from a nearly two-year period of contraction in the goods-producing part of the economy. Manufacturing in Houston is now up 3.9 percent over the year, particularly in fabricated metals, after taking a dive in 2015. That's especially positive news, since those jobs tend to be better paid than the jobs in healthcare and hospitality that have accounted for most of Houston's growth over that period.

Jobs Grow, but Wages Stay Stuck

U.S. employers are churning out jobs unabated as the economic expansion enters its ninth year, but the inability to generate more robust wage growth represents a missing piece in a largely complete labor recovery. U.S. employers added a seasonally adjusted 222,000 jobs in June, the Labor Department said. The U.S. has added jobs every month since October 2010, a record 81-month stretch that has absorbed roughly 16 million workers and slowly repaired much of the damage from the 2007–2009 recession. The unemployment rate touched a 16-year low in May and the number of job openings hit a record earlier this year. Still, average hourly earnings for private-sector workers rose slightly in June, 2.5% compared with a year earlier, a level little changed since March. As recently as December, the figure was 2.9% and in the months before the recession, wage gains consistently topped 3%. Since mid-2009, when the expansion started, hourly earnings of blue-collar workers – for which long run data series are available – have grown on average 2.2% a year, much less than the 3% expansion of the 2000s, the 3.2% expansion of the 1990s or the 3.3% expansion of the 1980s. Tepid wage growth is a puzzle because worker incomes should in theory rise faster as employers compete for scarce labor, though some economists say broader economic forces are at work.

A more globalized economy is holding down what workers can earn elsewhere, especially in rich countries losing manufacturing jobs to low-wage economies. The reduced power of unions has impeded the bargaining power of workers. People are more easily replaced by machines or individuals sitting on the sidelines of the labor force waiting to return. In the U.S. and elsewhere, central bankers have said wages could heat up soon. That is in part because more employers say they are struggling to find workers, which could lead to more bargaining power for workers. Improving opportunities in the job market appear to be slowly pulling Americans off the economy's sidelines. The labor force participation rate, hovering near a four decade low, inched up to 62.8% in June from 62.7% the prior month. The rate measures the share of the population age 16 and older either working or looking for a job. Low participation is partly because of shifts at both ends of the workforce age spectrum – fewer young Americans are looking for work and baby boomers are retiring. Among prime-age workers, those 25-54 years old, participation bottomed out in September 2015 and has been gradually trending higher. Job market participation remains below its level just before the recession, suggesting there could be room for further growth. Signs of steady hiring are helping to give some workers confidence to take risks.

Job Openings Slip, but Hiring Increases

U.S. employers posted fewer job openings in May. But hiring picked up and more people are quitting their jobs – both positive signs for the economy. Job openings fell 5 percent in May to 5.7 million, the Labor Department said. The setback occurred after advertised job postings nearly reached 6 million in April, a figure that has been revised downward from the initial report. Meanwhile, hiring climbed 8.5 percent to just under 5.5 million. The data is a sign the economy at 4.4 percent unemployment is nearing full employment, when nearly all those who want jobs have them and the unemployment rate mostly reflects the normal churn of people who are temporarily out of work.

Typically, when unemployment falls that low; companies are forced to offer more pay, but that hasn't happened yet.

Workers have certainly become more confident in the past year that they can find jobs. The number of people quitting their jobs has increased 7.1 percent to 3.2 million. People usually quit when they find new jobs, often at higher pay, or are confident they can soon be hired elsewhere. Many job openings fell by a meaningful amount in construction and transportation, warehousing and utilities. Advertising openings increased for retailers and educational services. Hiring was most robust in the professional and business services sector in May, as well as educational services.

Today's LNG Industry Continues to Produce Jobs

The oil and gas industry continues to evolve, as does the liquefied natural gas aspect of the industry. According to the Texans for Natural Gas website, Texas is the third largest producer of natural gas on the planet, behind only the U.S. and Russia. It also reported that Texas currently provides about 25 percent of America's natural gas. LNG – a nontoxic clear and colorless liquid – is formed when natural gas is cooled to -260 degrees Fahrenheit. Because of the cooling process, LNG is easier and safer to store and ship, as the volume is able to compress 600 times. When transformed back into gas, the former LNG is then able to be piped to industries, homes and businesses.

And with the anticipated industry growth, more jobs should not be far behind. Deloitte's four-part series, "LNG Industry Trends," states though LNG has been around for more than 50 years, it has matured rapidly, having a significant impact on the global energy market. It also shared that trade has quadrupled over the last two decades and is set to double over the next two decades. With that demand, gas plant operators, who distribute or process gas for utility companies and others by controlling compressors to maintain specified pressures on main pipelines, according to the U.S. bureau of Labor Statistics, could earn an average of $67,980 annually.

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