Houston's Pace of Employment Growth Accelerated

Greater Houston added jobs for the eight consecutive months in May as the pace of employment growth accelerated. The metropolitan area gained nearly 10,000 jobs in May, after adding 13,000 in April and nearly 12,000 in March, the Texas Workforce Commission (TWC) reported. 79,200 jobs were added in the 12 months ending May '18, a 2.6 percent increase. After lagging the state in recent years because of its greater concentration of oil and gas companies and exposure to the last oil bust, Greater Houston last month matched the state's rate of job growth at about 3 percent. That's nearly double the pace of job growth nationwide, which increased about 1.6 percent over the past year. In Houston, the oil and gas sector added 1,300 jobs over the past year, but slowing losses in oil and gas extraction were more than offset by gains in energy services. Growth has occurred across most sectors, with the largest gains in manufacturing, construction, professional and technical services, and employment services. Nonfarm payroll employment now exceeds 3.1 million.

Employment Services 16,200 jobs, 20.2% increase
Real Estate & Rentals 4,500 jobs, 7.8% increase
Oil Field Services 2,400 jobs, 6.2% increase
Professional, Scientific & Technical Services 12,600 jobs, 5.8% increase
Construction 11,400 jobs, 5.2% increase
Manufacturing 8,500 jobs, 3.9% increase
Retail Trade 7,500 jobs, 2.4% increase
Wholesale Trade 3,500 jobs, 2.1% increase
Transportation, Warehousing, Utilities 2,700 jobs, 1.9% increase
Restaurants & Bars 3,700 jobs, 1.4% increase
Government 1,300 jobs, 1.4% increase
Arts, Entertainment, Recreation -300 jobs, 0.8% decrease
Health Care 1,000 jobs, 0.3% increase
Finance & Insurance -200 jobs, 0.2% decrease
Oil & Gas Extraction -1,500 jobs, -4.0% increase

Higher oil prices, a rising rig count and the drilling boom in the Permian Basin have contributed to job gains in manufacturing. Employment in oil field equipment and fabricated metals is growing at a pace not seen since the early part of the decade. In durables manufacturing, which includes the sectors above, the typical employee logs a 47.3 hour week, up from a 43.6 hour week two years ago. Total hours worked by employees on the assembly line, an indicator of manufacturing output, are up 12.1 percent from May '17.

Construction employment had been stagnant until Hurricane Harvey struck and damaged more than 160,000 homes. Only two mega chemicals projects have broken ground over the past 12 months: LyondellBassell's $2.4 billion plant in Channelview and Braskem's $675-million plant in La Porte. Work has begun on the Sam Houston Tollway replacement bridges that span the Houston Ship Channel (estimated cost $567 million).

And since November '17, local voters have approved $4.5 billion in bonds for county, municipal and school district projects. However, these projects fall short of $30.9 billion in construction underway in February '15 at the peak of chemical plant boom. Once Harvey recovery efforts are completed, construction jobs will taper off.

Employment services, largely temporary help and contract workers, has grown at a near-record pace since May '17. The last time growth occurred at a similar pace was in the early stages of the fracking boom. The current pace of job growth may portend a surge in hiring, it may be an error in TWC's estimates, or it may reflect local employers' unease about future growth. At a time of uncertainty, bringing on contract workers might be a prudent alternative to hiring full-time employees.

Growth has returned to wholesale and retail trade, the former benefiting from growth in manufacturing output and surging demand for oil field services. The rig count has more than doubled over the past two years. Retail has benefited from population growth. The region added 94,400 residents in '17. Retail has also received a lift from homeowners still replacing goods damaged by Hurricane Harvey.
As the local economy improves, so does the demand for freight handling, distribution, and delivery services. Traffic at the region's four ports continues to grow. And as more consumers embrace e-commerce, there's a greater need for warehouse workers and truck drivers. Employment in the sector should grow along with Houston's economy.

While job growth in finance and insurance has plateaued, the surge in post-Harvey apartment rentals, the record pace of home sales, and the opening of 47 apartment communities since July '17 is driving real estate employment. The rentals part of the sector includes construction equipment, which has also benefited from post-Harvey cleanup efforts.

Health care employment has resumed growing but at the slowest pace in 20 years. Medical providers remain under pressure to cut costs and one way to do that is to reduce staff. Health care reported a loss of 1,400 jobs in '17, the only annual loss in the past 25 years.

The arts, entertainment, and recreation sector lost jobs, likely due to venues still struggling to recover from Hurricane Harvey and the lack of growth in discretionary incomes over the past few years. Population and job growth has created demand for additional bars and restaurants, thus supporting job gains in that sector. Public education—primarily school districts—account for nearly all growth in government employment.

Energy remains the wild card in the hand dealt to Houston this year. Oil field services continues to grow, driven by the boom in the Permian Basin and the more than doubling of the rig count since May '16. However, oil and gas extraction (*i.e.,* the office jobs with the oil companies) continues to shrink as firms seek ways to cut costs and operate more efficiently. Even the gains in oil field services are marginal, the sector recouping only 6,200 of the 20,800 jobs lost in the downturn. The exploration sector has cut 21,800 jobs so far but reported a slight uptick (400 jobs) in May.

It's unclear what drives job growth in the Professional, Scientific & Technical Services sector. TWC provides details only for the accounting, legal, engineering and computer services, which together account for 65 percent of the jobs but only one-fourth of job growth. That suggests that three-fourths of the growth, some 9,450 jobs, has occurred among advertising and public relations firms, management consultants, portrait studios and veterinary clinics. TWC will likely revise the overall gains in this sector with its annual benchmark revisions next March.

Unemployment Rate

Houston's unemployment rate was 4.2 percent in May, unchanged from 4.2 percent in April and down from 4.8 percent in May '17. Texas' unemployment rate was 3.7 percent in May, down from 3.8 percent in April and 4.1 percent in May '17. The U.S. rate was 3.8 percent in May, down from 3.9 percent in April and 4.1 percent in May '17. The rates are not seasonally adjusted.

Texas Added Jobs

Texas added 35,000 jobs in May, and more than 350,000 over the year. The Texas economy strengthened considerably this past year and the positive momentum has carried over into 2018. The improvement reflects a turnaround in global economic growth, continued strength in domestic demand, a booming tech economy and higher oil prices. Across Texas, the sector encompassing oil and gas gained more than 4,000 jobs last month and nearly 30,000 over the past year – an increase of 13 percent. Education and health services led the state's job gains, adding more than 8,000 over the month. Construction companies increased their payrolls by nearly 6,000 jobs in May. Professional and business services, one of the largest employment sectors, added 4,300 jobs last month.

U.S. Employers Keep Up Brisk Pace in June

The U.S. economy added 213,000 jobs in June as the unemployment rate rose to 4 percent. The small increase in unemployment – up from 3.8 percent in May – appears to be the result of more Americans searching for work, according to Labor Department figures. The labor force expanded by 610,000 jobs over the month, with an influx of new women and teen workers more than off-setting a dip in labor force participation among men, Gregory Daco of Oxford Economics said.

Job openings are at record highs, meaning many of the job seekers are likely to find employment soon. Many experts still predict the unemployment rate will fall further by the end of the year to the lowest level since 1969. Despite the low unemployment and struggles to find workers, companies still appear hesitant to significantly raise pay in many industries. Average hourly earnings are 2.7 percent higher than a year ago, a lackluster pace compared to past eras of healthy job growth when wages were rising at 3-5 percent or more a year.

The economy continues to show many signs for strength despite the brewing trade war. Wall Street welcomed the employment gains, sending the Standard & Poor's 500 up 0.9 percent on Friday, July 6, 2018. The Labor Department also revised its estimates for job growth in May, going from a previous estimate of 233,000 new jobs to 244,000 new jobs. The department also boosted its estimate for April job growth up to 175,000 – up from an earlier assessment of 159,000.

The United States has now added jobs for 93 straight months, a record streak of hiring. Job growth was widespread across the economy with solid gains in business, healthcare, construction, and manufacturing. The only sore spot was retail, which shed 22,000 jobs as Toys "R" Us shut its doors. "The key takeaway is the big jump in labor force participation," said Kevin Hassett, President Donald Trump's top economist. Hassett pointed to the increase in labor force participation for African-American women and Hispanic men and women as an encouraging sign that people are being drawn back to work. Trump frequently touts the strong jobs picture as hiring has picked up in recent months. Hispanic unemployment fell to a record low of 4.6 percent in June, and unemployment remains near record lows for African-Americans and for Americans with less than a high school degree.

While economists say the tax cuts are boosting growth this year, they warn that Trump's actions on trade could have damaging impacts on the economy and jobs. The U.S. is now in a trade war with all its top five trading partners: China, Canada, Mexico, the European Union and Japan. While hiring and growth still look robust, the trade war is probably starting to slow it down, Daco said. The Federal Reserve reported some businesses had already scaled back or postponed planned investment because of the trade struggles and warned that many more promise to do more if the spats continue to escalate. The Fed is also gradually raising interest rates, easing off the extraordinary efforts it took to stimulate the economy after the Great Recession, and looking instead to ward off future spikes in inflation.

Workers' Willingness to Quit at 17-Year High

The proportion of American workers that quit their jobs in May reached the highest level in 17 years, a sign that more people are confident they can find a new job, likely at higher pay. Businesses also advertised fewer jobs in May than the previous month, but the tally of open positions outnumbered the ranks of the unemployed for only the second time in the past two decades, the Labor Department said. Businesses also advertised fewer jobs in May than the previous month, but the tally of open positions outnumbered the ranks of the unemployed for only the second time in the past two decades. The figures reflect a strong job market driven by optimistic employers seeking to expand their workforces. Last week's jobs report showed that businesses hired workers at a healthy pace and the unemployment rate remained very low, at 4 percent. The percentage of workers quitting their jobs reached 2.4 percent in May, the highest level since April 2001. More quits are a sign of a strong job market because workers typically leave jobs for a new one that pays more. There were 6.64 million available jobs in May, down 3 percent from April's figure of 6.84 million, which was the most in the nearly two decades that records have been kept. At the same time, there were just 6 million unemployed people in May. Nick Bunker, an economist at the job-listing website Indeed, calculates that there are now just 0.91 unemployed workers for each available job, also the lowest on record. The need to compete for such a small pool of workers should force companies to raise pay in order to fill their open jobs, yet pay gains remain modest. In June, average hourly earnings rose just 2.7 percent compared with a year earlier. That remains below the roughly 4 percent annual gains that are typical of a healthy economy.

Some Employers Being Open On Their Pay

Up until last week, none of the 170 employees working at Verve, a marketing company, knew what anyone else made. Now, everyone's salary is listed on an internal document for everyone to see. By 2019, all 1,100 employees at CareHere, a Nashville based healthcare company, will know the pay ranges for all positions in the company. Employers have long discouraged talking about money at work, in part because obscuring salary information keeps compensation costs down. But that attitude is starting to change. In a survey of almost 2,000 employers by the consulting firm Willis Towers Watson, more than half of the respondents said they plan to increase transparency around pay decisions in the next year. Pay transparency can mean a lot of things. A minority of companies are taking the most extreme approach, where everyone knows what everyone else makes. A larger share of companies are letting employees in on the voodoo behind their pay practices and explaining what goes into compensation decisions. Others are revealing pay ranges for positions and posting that information alongside job listings.

Employees now have more access to compensation data than ever before – just not necessarily from their employer. Sites such as Glassdoor and Fairgodboss aggregate and list pay information for thousands of jobs across industries, giving workers a clearer picture of how their pay stacks up against that of their co-workers. Even LinkedIn has a feature that breaks down pay by job title and location. The proliferation of information is leading to some issues for employers. More than anything, people want to feel like they're being paid fairly, surveys have found. Armed with this new information, many of them are going to their managers and complaining that they're not. To make their case, employers such as CareHere have decided to give employees more information about their pay. "We were finding that when employees and candidates were coming to us with salary information, they were misinformed," said Jeremy Tolley, the Chief People Officer at CareHere. "A lot of the information available for free is inconsistent at best," he added.

The factors that go into what makes up someone's salary are complex, employers argue. When employees complain about a raw number, they don't know the full picture, like how location, bonus pay, or benefits fit into the equation. Transparency has benefits beyond employee happiness. "It's going to make it easier to recruit people. It's going to make the negotiation process during hiring much easier," said Callum Negus-Fancey, the Founder and CEO of Verve.

Pay equity is also a big driver in transparency, and companies are under more pressure to prove they pay employees equally. Legislation in various states and cities, including California and New York, has banned employers from asking about salary history to curb discrimination. The jury is still out on whether transparency helps close the pay gaps, but employers often find and correct inequities on the road to transparency.

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