Employment Update

Employment Opportunities in the Surrounding Counties

Nearly half of all workers in the surrounding counties – Austin, Brazoria, Chambers, Fort Bend, Galveston, Liberty, Montgomery, and Waller – commute to Harris County each day. Meanwhile, more than 100,000 Harris County residents commute to jobs in the surrounding counties. In all, one-fifth of area workers hold a job in a county other than the one where they reside. Those commuting flows underscore the degree to which the nine counties of the Houston metropolitan area are linked economically. The economic ties of the nine counties are more obvious when one examines the number of business establishments, employment and payroll across the nation. Though Harris County accounts for only two-thirds of the Houston region's population, it contains three-fourths of the region's business establishments, four-fifths of the jobs, and generates almost six out of every seven payroll dollars earned by area workers. Population growth in the suburbs has created employment opportunities in the outlying counties. From '02 to '11, the Houston region added 13,857 new business establishments. The three counties with the fastest growing populations - Brazoria, Fort Bend and Montgomery - accounted for 45.2 percent of that increase. Harris, however, accounted for a larger share—47.9 percent of the increase. Harris County also garnered a larger share of the growth in major employers. Between '02 and '11, Harris County accounted for two-thirds of the growth in medium to very large establishments, *i.e.,* those with 100 or more employees. The three fastest growing counties accounted for one-fourth of that growth. For several decades, the region's population growth has trended toward the suburban counties while most of the employment opportunities have stayed in Harris County. Recent construction activity suggests that trend will continue. Last year, approximately half of all new single-family homes were built outside Harris County. Ten years ago, the suburban counties captured less than one third of all housing starts. But when we consider employment, nearly 70 percent (measured by value) of all office and office/warehouse projects announced, permitted or under construction in the past 12 months were in Harris County. Bottom line, the residents of the suburban counties depend on job opportunities in Harris County as much as employers in Harris depend on the skills and labor of the residents from the suburban counties. The nine counties of the Houston metro area have a symbiotic relationship. Each county depends on one or more of the other eight for its prosperity.

Robustness of Houston's Job Growth

Among the nation's 20 largest metropolitan areas, the Houston-Sugar Land-Baytown Metropolitan Statistical Area had the fastest rate of job growth in the 12 months ending March '13, according to data released by the U.S. Bureau of Labor Statistics. Houston recorded a 3.8 percent annual growth rate, ahead of second place Dallas, which grew at a 3.4 percent annual rate, and third place Tampa, which grew at a 3.1 percent annual rate. The Houston metro area created 102,300 jobs during those 12 months, slightly less than the nation's two most populous metro areas. Los Angeles created 116,000 jobs and New York created 106,800. When one considers that the workforces of Los Angeles and New York are, respectively, two and three times as large as Houston's, the robustness of Houston's job growth stands out sharply. All sectors of Houston's economy are performing well. Houston's job growth, in what economists refer to as the "supersectors", continues to exceed the national averages. Several factors are driving job growth. Oil prices have not fallen below $70 per barrel since May '10. Houston exports grew 6.5 percent in '12 and 26.1 percent the year before. The race to tap the Eagle Ford Shale, the Bakken Shale and the Permian Basin has juiced demand for engineering services. And Houston's net migration gain of approximately 150 people per day has spurred demand for housing, retail and consumer-related services.

Unemployment Rate

Even with strong population growth, the region's unemployment rate continues to decline. In March, Houston's unemployment rate was 6.1 percent, down from 8.8 percent at its peak in June '11. Texas' unemployment rate was 6.3 percent in March, down from 8.6 percent at the peak in June '11. The U.S. rate was 7.6 percent in March, down from 10.6 percent at the peak in January '10.

National Employment Figures

Washington may be hitting the brakes, but the private sector is still rolling ahead, helping create nearly 200,000 jobs a month, on average, since the beginning of the year and forcing the overall unemployment rate in April down to its lowest level since the end of 2008. This push-and-pull dynamic was evident in data released May 3, 2013 by the Labor Department, as private employers added 176,000 people to their payrolls even as the public sector shed another 11,000 workers.

Americans are more optimistic the job market is healing and will deliver higher pay later this year. Employers have added an average of 188,000 jobs a month in the past six months, up from 130,000 in the previous six. Economists expect a modest rebound in coming months, including a gain of 160,000 for April. Layoffs also sank to a record low in January. Fewer layoffs tend to make people feel more secure in their jobs and more willing to spend. Wages rose 0.5 percent from January through March which is better than the 0.3 percent gain in the preceding three months. Wages and salaries have risen 1.6 percent in the past year.

Drilling Permits, Jobs Still Energetic

In case there were any doubts, two reports released this week confirm that the oil and gas economy in Texas is still hot. Total drilling permits of 3,722 issued in January and February of this year were up 10 percent over the same period in 2012. It was the strongest start in the past ten years. In January, Texas oil production rose by almost 100 million barrels in 2012 over the previous year, to the highest level in two decades. That marked the fifth consecutive year with an increase. Per U.S. Bureau of Labor Statistics, total oil and gas industry employment in Texas was at 379,800 during the first half of 2012. Nationally, the industry employed 971,200 people during that period. The average national industry wage was $107,200 in 2012; that compares with an average private sector wage of $48,900. Texas continues to lead the country in oil and gas production, innovation and employment, due in part to our favorable business and regulatory climate.

Eagle Ford Financial Footprint is Large

Last year, the Eagle Ford Shale had a $61 billion impact and supported 116,000 jobs across a 20-county swath of South Texas – a once-sleepy region increasingly defined by an oil and gas boom. The latest numbers from an ongoing UT study continue to show a ballooning financial effect as the industry races to drill oil wells in the region. The results of the study were released hoping to bring attention to the road, water, health and other needs brought on by the influx of workers and truck traffic into the region. The direct impact alone is enormous: more than 46,000 people directly employed last year, thanks to the oil field. So far, more than 5,400 Eagle Ford wells have been permitted by the Texas Railroad Commission, but by 2022, the study expects more than 24,000 wells in the region. Even as the field matures and fewer people work on drilling sites, there still will be thousands processing, transporting and refining that oil and gas, and everyone from attorneys to restaurant employees working along the way. In a decade, a "new normal" will mean oil and gas will remain the region's economic behemoth, employing more than 36,000 people directly and with an economic output of more than $50 billion. In 2022, more than 4,600 will work in the "food services and drinking industry" in the shale region, largely to cater to the oil patch. The study breaks down the economic impact by looking at the 14 most productive counties, as well as six surrounding counties, including the San Antonio, Corpus Christi and Victoria areas, that have morphed into service providers, administrative centers and staging areas for the oil field. The 2012 economic impact is estimated at $46 billion supporting 86,000 jobs in the 14-county area. By 2022, that 14-county area is expected to generate approximately $61 billion in economic impact and support over 89,000 jobs. The study focused on South Texas and did not include counties on the eastern edge of the Eagle Ford Shale, where development has been ramping up as well, albeit at a less frenzied pace. This 20-county area generated $61 billion in economic impact and supported 116,000 jobs in 2012. The study puts the economic impact in 2022 at $89 billion and 127,000 jobs. The oil and gas field already is sending money to state coffers. Oil and gas producers in the 14 counties sent an estimated $374 million in severance taxes, taken as oil and gas are extracted, to the state last year.

Personal Income Growth Puts Texas Near Top

While no state came anywhere close to North Dakota for average personal income growth last year, Texas was a respectable second-place finisher, according to U.S. Bureau of Economic Analysis. North Dakota, which is enjoying an energy boom and consequently, a building boom, led the nation in personal income growth in 2012. Personal income is the before-tax income received by every resident from all sources, including wages, rents and transfer payments. Average personal income in North Dakota increased by 12.4 percent in 2012, compared with 2011. That marks the fifth time in the past six years North Dakota has recorded the nation's fastest-growing personal income. In Texas, average personal income increased by 4.8 percent, in 2012, making it the second fastest in the U.S. For Texas, the biggest contributor to earnings growth came from the construction industry. Construction income grew 11.6 percent in Texas during 2012, compared with 5.4 percent nationwide. The U.S. average personal income increased by 3.5 percent in 2012.

Benefits Update

Being Wise About Wellness

Many companies will pay gym memberships for employees who clock in for frequent workouts. Plans that offer attractive incentives – in the range of $500 a year – boost participation . As wellness programs began to get popular a few years ago, not enough attention was paid to how the walking team, lunch-time nutrition seminars and yoga classes could cut health-care costs over time. The programs need to be tied directly to the bottom line in ways such as improving health habits to avoid chronic diseases and getting regular screenings and checkups to catch problems early. Companies typically save between 3 and 8 percent of their health-care costs with a wellness program. A key factor is engagement – the more who participate, the higher the savings. And to get people to participate, money gets their attention. When companies offered $50 or less to employees to participate in biometric screening, 15 percent consented according to a Towers Watson employer survey on health-care costs. When they offered $101 – 250, the participation rate jumped to 54 percent. When companies offered more than $250, 82 percent of the employees rolled up their sleeves to get their blood pressure and other vitals checked. Typically the maximum return on investment on a wellness program is 8 percent. So, if the average health-care cost is $10,000 per employee per year, then the maximum the company should spend is $3800 per employee per year on wellness. It's important to link the programs with the health needs and conditions of the employee population. Dependents also should be encouraged to participate in the corporate wellness incentives. In 2010, only 39 percent of the companies that offered incentives included dependents. In 2012, that number jumped to 53 percent. It's also important to emphasize the importance of establishing a relationship with a primary care physician so when a sudden medical need arises, the emergency room isn't the first place to go.

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