**Local Job Growth Picks Up**

The Houston-The Woodlands-Sugar Land metro area created 13,300 jobs in March and 30,900 jobs over the previous 12 months, according to the Texas Workforce Commission. The monthly job gain was above the 25-year average of 12,700 jobs added for March and the 12-month growth is the largest since September 2015. Houston's total nonfarm employment now stands at 3,023,400.

Population growth continues to drive job gains in a number of sectors: government (primarily public education), leisure and hospitality, and health care. Government added 1,300 jobs in March 2017 and 14,300 in the 12 months ending March 2017. Leisure and hospitality added 4,200 over the month and 9,400 over the 12-month period. Health services and private education grew by 1,200 jobs in March and 11,400 over the previous 12 months. These sectors were supported by the 125,005 residents added to the region in 2016, about one new Houstonian every four minutes.

Trade, transportation and utilities suffered the greatest losses, shedding 3,000 jobs in March and 6,200 jobs over the prior 12 months. Several industries, primarily energy-related, reported gains in March 2017 but losses over the 12 months ending March 2017, reflecting the slow recovery in the energy industry. Mining and logging (i.e., upstream energy) added 600 jobs in the month but lost 4,400 jobs in the 12 months ending March 2017. Durable goods manufacturing, which includes mining machinery, gained 2,200 jobs over the month but lost 1,000 jobs over the year. Architectural, engineering and related services added 700 jobs in March but shed 3,900 jobs over the previous 12 months.

Houston's March unemployment rate was 5.7 percent, down from 5.9 percent in February but up from 4.9 percent in March 2016. Texas' unemployment rate was 5.0 percent in March, down from 5.1 percent in February but up from 4.5 percent in March 2016. The U.S. rate was 4.6 percent in March, down from 4.9 percent in February and from 5.1 percent in March 2016. The rates are not seasonally adjusted.

**Oil Still Stalling Local Economy**

Nearly a year after the oil bust reached its bottom, Houston's economy is only barely starting to recover and its future is still clouded by oil prices that have remained stubbornly low, according to a closely-watched analysis. Bill Gilmer, director of the Institute for Regional Forecasting at the University of Houston's Bauer School of Business, forecast about 38,000 new jobs – more than twice as many as 2016, but far below the recent historical average – if current trends continue. That lukewarm forecast comes in spite of a rapid run-up in the rig count and a spike in what Gilmer calls "basic" jobs – those in industries that bring in revenue from outside the region, such as manufacturing and petrochemical refining, rather than selling services to locals, which merely recirculates money. The Houston area added about 13,000 goods-producing jobs between November and March, after losing about 70,000 over the previous two years, according to the U.S. Labor Department. The local economy has improved in the early part of 2017, adding about 30,000 jobs from a year ago, but continues to lag the state and the nation as the energy industry rebounds slowly. Jobs are growing at a rate of about 1 percent a year in Greater Houston, slightly better than last year, but less than one-third of the pace of earlier in the decade. The bottom line, Gilmer said, is the region still depends heavily on the energy industry, despite efforts to diversify.

The ratio of energy jobs to non-energy jobs in Houston's employment core – those "basic jobs" - hasn't changed in twenty years. Energy still accounts for half of basic jobs. Rather than new industries, the local economy has been largely supported by strong national growth that has boosted companies that sell goods and services beyond Texas. In a convenient historical accident, downturns in the oil industry have corresponded with periods of robust growth in the national economy and vice versa. Among the near-term worries is the fast-approaching end of the industrial construction boom – primarily petrochemicals – that kept Houston afloat through the oil downturn. As the plants are completed, tens of thousands of construction workers will lose jobs. Ideally, those workers could move back to oil production. But Gilmer doubts the burst of drilling activity can continue indefinitely at prices around $50 a barrel, since producers will deplete the extremely productive wells to which they've retreated in recent months. That will force them to wells that are more costly to drill and unable to make profits at lower prices. All in all, Gilmer said, the local economy can expect a "pretty mediocre year" – which after a severe oil bust, might not be so bad.

### Houstonians Optimistic on Jobs

The oil price slump and local unemployment levels that recently surpassed the national rate have not dampened Houstonians' career optimism. Sixty-four percent consider local job opportunities to be excellent or good, the 2017 Kinder Houston Area Survey indicates. "Possibly, the general public senses that things are not as bad as they look in the official record of the moment," said Stephen Klineberg, founding director of Rice University's Kinder Institute for Urban Research. The positive job opportunity figure, up slightly from 62 percent reported last year, is the second highest rating since 2000. It's significantly higher than job market optimism when Houstonians were clawing their way out of the 1980s oil bust. Positive ratings deteriorated to 36 percent in 1983 and then 11.5 percent in 1987, from 71 percent in 1982, according to the first Houston Area Survey ever completed. Klineberg said the more recent recovery has been aided by a more diverse economy. The most recent oil price slump cost the Houston region about 82,000 energy-related jobs. That's a substantial number but remains small compared with the region's total employment of about 3 million, said Patrick Jankowski, SVP Research for Greater Houston Partnership. "Most of the layoffs in the last two years were concentrated in the oil and gas industry," he said. "And if you work outside oil and gas, things do not look bad for you." He added that many people moved to Houston for work, which provides a different perspective.

## U.S. Job Growth Bounces Back

The jobless rate dropped to 4.4 percent in April, the lowest level in more than a decade, the government said, signaling the economy's resilience and showing a labor market closing in on full capacity.  Employers added 211,000 workers, the Labor Department said, helping to quell doubts raised by sluggish growth in the first quarter and anemic hiring in March.  The economic anxiety and uneven fortunes that figured so prominently in the presidential campaign have not disappeared, particularly outside of the country's flourishing urban centers.  Wage growth was also modest, with the year-over-year increase staying just baby steps ahead of inflation.  But some of the labor force's weakest corners improved, with declines in the ranks of discouraged workers and of those working part time who would prefer full-time jobs.  The April figures renewed a conversation among economists about whether the economy was at "full employment," the point at which everyone who wants a job can get one at the current level of pay.  "Sharp increases in consumer and business confidence can have real consequences that show up in increased hiring and investment," said Douglas Holtz-Eakin, a former director of the Congressional Budget Office.  Less encouraging was a dip in the proportion of adults who have jobs or want them.  That measure, known as the labor participation rate, edged down to 62.9 percent last month from 63 percent, a sign that workers who had been sidelined are not being drawn back into the labor market.  "This gets to be the real issue," said Diane Swonk, founder of DS Economics in Chicago.  "As good as this report is, it points to how hard it is to bring in those marginalized workers.  With skills erosion, people in long-term unemployment have gotten into a vicious cycle. An incoming tide does not lift all boats."

## Relatively Slow Wage Growth in U.S.

The economy today has almost everything experts look for as signs of health – new jobs are popping up around the country, the unemployment rate has fallen to the lowest level in a decade, and consumer and business confidence is high.  But one thing that really matters for workers has been stubbornly absent: strong wage growth.  The pay that workers take home has risen a little since the depths of the recession, but not much.  Once you factor in inflation, wage growth is so low that workers are hardly better off than they were a year ago.  Over the past year, average hourly earnings have risen just 2.5 percent, according to a recent report on April job growth.  The trend is disappointing – and somewhat surprising.  Given strong job growth and low unemployment, many economists had been expecting that wages would be rising faster by now.  Current wage growth "is not what we would expect at this point in a recovery," said Tara Sinclair, an economist at George Washington University.  No one knows precisely why wage growth has lagged behind, but economists have a few explanations:

- Too many people left on the sidelines:  Since the recession, the unemployment rate has not been a great indicator of how much slack is left in the labor market.  That's because the unemployment rate, which was a low 4.4 percent in April, counts only workers who do not have a job but are still actively looking for one.  "We have recovered a fair amount, but we still have a way to go" said Elise Gould, a senior economist at the left-leaning Economic Policy Institute.  "If there was less slack, then employers would have to be offering better pay to attract and retain the workers they want, and they just don't have to yet."

- We're not getting much more productive. Other economists find different reasons for lagging wage growth. One is that gains in productivity – a measure of how much a given worker or machine can produce – have also been sluggish of late. That is a worrying sign, since productivity gains are what really determines improvements in wealth and living standards over generations. But blaming productivity for slow wages is not a full explanation, because economists in turn debate the reasons behind sluggish productivity. Some fault measurement issues. Some point a finger at government policies that have failed to encourage investments in machinery and technology. Others say it could just be because of natural ebbs and flows in innovation.
- Weak growth in wages may reflect the difficulty workers have asserting their bargaining position in the current environment, said Jeremy Lawson, chief economist at Standard Life Investments. A dramatic decline in unionization in recent decades has left workers less able to bargain with company owners for pay increases. At the same time, globalization has allowed companies to be more mobile than ever before. If labor gets too expensive in one location, companies can just move.

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