

Who Are We?

Each September, the U.S. Census Bureau releases the American Community Survey (ACS), its annual snapshot of U.S. economic, demographic and social characteristics. The survey has revealed the following:

- **Hispanics now represent Houston's largest population.** No single race or ethnic group has constituted a majority of the region's population since the late '90s.
- **Asian Americans are Houston's fastest growing ethnic group.** Asian Americans in Houston have grown by 220,683 since '17, or 69.3%.
- **More than 1.6 million Houstonians, about one in every four residents, are foreign-born.** Just over one-third of Houston's population growth over the past 10 years, some 424,000 residents, is due to international migration. One in every seven Houstonians came from Latin America and one in every 17 from Asia.
- **Houston's age profile continues to shift.** Children, adolescents, and teenagers represented 31.0% of Houston's population in '07 but only 29.2% in '17. Seniors (residents 65 and older) represented only 8.1% of the population in '07 but 10.8% of the population last year.
- **Houston's population is young compared to the nation.** The median age in Houston is 34.4 years compared to the U.S. median of 38.1 years.
- **Houston's labor force participation rate has fallen below the average of its peers.** Houston's labor force participation rate (LFPR) peaked in '08 at 69.4% and has trended downward since. Houston has suffered two downturns in the past 10 years, the Great Recession ('08-'09) and the Fracking Bust ('15-'16), which may have discouraged some Houstonians about their prospects of finding work, prodding them to drop out of the labor force.
- **Houston has become better educated.** Nearly 3.7 million residents, 83.5% of the adult population, have graduated high school. That's up from 79.2%, 2.8 million residents, in '07. More than 1.4 million residents, 32.4% of the adult population, hold a bachelor's or higher degree. That's up from 27.8%, 975,000 Houstonians, in '07. While the improvement is good news, Houston still lags its peers. The region ranks 18th among the nation's 20 most populous metros in percentage of adults with a high school diploma and 15th in those with a college degree.
- **Houstonians prefer to drive alone rather than carpool or take public transit to work.** Ten years ago, 78.5% of all commuters drove alone. Today, 80.3% do. Only 10.0% carpool. A few other insights:
 - Nearly half of all workers, 1.4 million commuters, leave home between 6:30 and 8:30 a.m. each day.
 - Only 2.1% of Houston commuters use public transit, down from 2.6% in '07.
 - The share of Houstonians who work at home rose from 3.5% in '07 to 4.7% in '17.
- **Incomes have grown.** Median household income was \$63,802 in '17, up 20.4% from \$52,988 in '07.

- **But the war on poverty is not over.** According to the ACS, one in five children under the age of 18 lives in poverty, one in nine families lives in poverty, and one in 10 senior citizens lives in poverty.
- **More Houstonians carry health insurance now.** In '17, 81.8% of Houstonians had health insurance, up from 75.7% in '07. Houston, however, does not compare well with its peers. Houston's coverage is the lowest of the nation's 50 largest metros. Their average is 91.8%.
- **Disabilities are common among the population.** One in 11 Houstonians responded to the ACS that they have some form of impairment (e.g., hearing, vision, ambulatory, cognitive, self-care or independent living). Disabilities are more common in the older population.

Summer Ends with Job Gains

The Houston economy accelerated in August, besting the job growth of the previous two months as the energy industry continues to recover and the construction industry shows no sign of slowing in post-Hurricane Harvey rebuilding. Houston employers added 12,900 jobs in August, after creating 4,800 in July and 9,100 in June, the U.S. Labor Department reported. Metro Houston created 110,200 jobs, boosting the region's employment by 3.7%, in the 12 months ending August '18. That's the strongest 12-month pace since January '15, when the economy, though entering a downturn, had momentum from the four previous years of frenetic growth.

The construction sector has added 28,900 jobs over the past 12 months, a 13.5% increase. That's a record for construction job growth. Much of the growth is due to Hurricane Harvey repair efforts, and as Houston enters the second year of recovery, the construction activity and jobs associated with it will wind down.

The region added 35,000 jobs in professional and business services over the past 12 months, a 7.2% annual increase. That's the third highest absolute increase but ranks in the upper quintile for percentage increase over the past 28 years.

Of the 35,000 professional and business services jobs created, administrative and support services accounted for 20,400, a 9.8% annual increase. This sector includes janitorial services, security services, landscaping services and contract employees. Among the subsectors, engineering added 2,600 jobs, a 4.0% increase. The growth in engineering reflects the ongoing recovery in oil and gas.

Over the past 12 months, oil and gas extraction still showed job losses while oil field services added jobs, leading to a net gain of 1,900 for the industry.

Trade, transportation and utilities added 17,300 jobs, a 2.8% increase. All subsectors, wholesale, retail, transportation and utilities contributed to job growth for the sector. The statewide economy, which created 395,000 jobs over the past year, is humming for many of the same reasons Houston has steadily gained jobs. The oil industry, which spawned widespread job cuts as oil prices plummeted into early 2016, is recovering. Residents continue to rebuild after the devastating effects of Hurricane Harvey. And the population continues to grow. August job gains were broad-based in Texas, which

added 32,000 jobs including in key sectors associated with the energy industry, which tend to pay higher wages.

The state unemployment rate fell from 4 percent in July to 3.9 percent, matching the national jobless rate. The Houston unemployment rate was 4.3 percent in August, down from 5.1 percent in August 2017.

Houston Construction-Hiring Hardships Affect Bottom Line

The construction industry's ongoing struggle to attract and retain workers has led to more than half of construction firms in Texas to put higher prices into their bids or contracts, according to a study conducted by Associated General Contractors of America. In the survey, 78 percent of respondents reported "having a hard time filling some or all" skilled craftsmen. To attract those kinds of workers, companies are having to spend more in salaries, incentives, and bonuses. The strains aren't just limited to hiring skilled craftsmen. Forty eight percent of respondents said that compared to one year ago, hiring project managers and supervisors has become more difficult. Dan Gilbane, SVP of Gilbane Building Co.'s southwest division, said the shortage in skilled craftsmen is impacting the kinds of subcontractors Gilbane can work with. "The first thing we look at is safety," Gilbane said. "That's a challenge when you have a new workforce who haven't had the experience and training that some firms aren't able to provide as they bring new workers to the marketplace." Gilbane is the city's fourth-largest general contractor when ranked by its 2017 local billings. In the 12 months that ended in July 2018, the metro Houston area added 25,500 construction jobs which are more jobs added than any of the other 350 U.S. markets. There are currently 239,000 workers in the construction industry in Houston, which is an all-time high for the market.

Employment in Texas Still Growing

The Texas economy continues to expand at a strong pace, despite a tight labor market, according to the Federal Reserve Bank of Dallas. Employment grew at a solid 2.8 percent rate in the third quarter, double the national job growth of 1.4 percent. Pia Orrenius, senior economist at the Dallas Fed, noted that job growth in Texas slowed from the second quarter, when the state added jobs at a "red-hot" rate of 3.5 percent. But, she added, "it's still a very high rate – much higher than the nation." Orrenius said the slowdown was probably not the result of decreased demand for workers, but rather a tight labor market that is making it difficult for companies to find qualified workers. In August, the Texas unemployment rate fell to 3.9 percent, and many employers are reporting luring difficulties. As a result, wages have begun to rise, especially in Houston. Federal statistics show "record wage growth in Houston and Dallas over the last year – about three to four times the pace of wage growth for the nation on average," Orrenius said.

U.S. Jobless Rate at its Lowest in Decades

The U.S. unemployment rate fell to 3.7 percent in September – the lowest level since December 1969 - signaling how the longest streak of hiring on record has put millions of Americans back to work. Though the Labor Department said employers added just

134,000 jobs last month, the fewest in a year, that figure was likely depressed by the effects of Hurricane Florence. The storm struck North and South Carolina in mid-September and closed thousands of businesses. An employment category that includes restaurants, hotels and casinos lost jobs for the first time since last September, when Hurricane Harvey exerted a similar effect. In recent months, though, healthy consumer and business spending has been fueling brisk economic growth and emboldening employers to continue hiring. Americans are confident about the economic outlook, buoyed by the job gains and signs of higher pay. The September gain extended an 8 ½ year streak of monthly job growth. What's more, the government revised up sharply its estimate of hiring for July and August by 87,000 jobs. So far this year, monthly job growth has averaged 208,000, up from a pace of 182,000 for all of last year. "The acceleration in job gains this year is extraordinary in an environment where firms are having great difficulty finding qualified candidates," said Stephen Stanley, chief economist at Amherst Pierpont Securities. Average hourly pay rose 2.8 percent from a year earlier, a moderate gain and a tick below the year-over-year increase in August. Many economists expect pay growth to accelerate in coming months. With unemployment so low, companies are facing intense pressure to raise pay to land workers. Amazon responded this week by raising its minimum wage to \$15 an hour.

Employers Choose Bonuses Over Raises

U.S. employers are boosting benefits—including bonuses and vacation time—at a faster pace than salaries, a move that gives them more flexibility to dial back that compensation if the economy turns sour. The cost of benefits for private-sector employers rose 3% in June from a year earlier, while the cost of wages and salaries advanced 2.7%, the Labor Department said. The benefit gain was driven by a nearly 12% increase in bonuses and other forms of supplemental pay. Paid leave, including vacation time, rose 4% in June from a year earlier. The trend extends a long-running but slow shift in compensation toward benefits and away from baseline salaries. The increase in bonus compensation in part reflects lump-sum payments that many large companies, including AT&T and Comcast, gave employees after Congress approved a package of tax cuts late last year. After the tax cut, many employers, such as Southwest Airlines and American Airlines, offered bonuses but not wage increases. Bonuses are closely tied to corporate profits, and while the tax cuts improved bottom lines for many companies, profits have been growing at a strong clip for several years, compensation experts say. Employers have added jobs for 95 straight months and the number of job openings has exceeded the number of jobless people looking for work. In such a tight labor market—last month's 3.9% unemployment rate is just above an 18-year low—using bonuses to recruit and retain workers has become especially common. President Trump's economic advisers argued in a recent paper that growth in overall compensation is a better measure of how workers are faring than wages alone. As of this month, 623 U.S. employers announced bonuses, pay increases or better benefits related to the tax law, the White House Council of Economic Advisers said. The bulk of those, 408, offered a lump-sum payment. About 100 firms raised wages for their lowest-paid workers, and 95 lifted wages for other employees. Some companies increased retirement contributions, and some took more than one of the actions. The council said more than 6 million U.S. workers in total have directly benefited from the tax overhaul.

EEOC Continues to Scrutinize Criminal Record Screening Policies

Employers that use criminal record-screening policies must continue to be vigilant about compliance with all applicable laws and should know that the EEOC's scrutiny of such policies, while perhaps scaled back, has not ended. To the contrary, the EEOC has demonstrated a continued interest in discouraging employers from directly or indirectly screening out job applicants who belong to protected classes under Title VII and tend to be arrested and convicted at disproportionately higher rates.

The EEOC recently reached a conciliation agreement with a nationwide retailer to resolve claims of race discrimination brought by an African-American applicant whose offer of employment was rescinded due to his background check. The EEOC's view is that background check policies tend to have a discriminatory effect on minorities, because they are disproportionately incarcerated and therefore make up the larger percentage of the population with criminal records.

The EEOC's press release, dated September 24, 2018, explains that the retailer agreed to the following changes to its background check policies: (1) remove any blanket exclusions for criminal convictions; (2) provide an individualized assessment for all applicants; (3) postpone questions about criminal convictions until later in the hiring process; and (4) require its human resource employees and other essential staff to participate in mandatory implicit bias training. The EEOC hopes that these changes will give applicants a fair chance at employment by delaying any consideration of their criminal history until after the applicant has been evaluated on their qualifications.

This is not the first time that the EEOC has gone after an employer where the background check policies appears to deter African-American applicants from applying for a position with an employer. The EEOC's guidance on criminal background checks in employment, issued in 2012, notes that consideration of criminal records can result in both disparate *treatment* discrimination (where an employer declines to hire a minority because of a criminal record) and disparate *impact* discrimination (where an employer's practice of relying on criminal background checks disproportionately results in screening out minority applicants).

The EEOC and plaintiff-side firms continue to pursue claims involving criminal record screening policies. It is therefore essential that all employers take measures to comply with ban-the-box laws and the Fair Credit Reporting Act (FCRA), as well as updating the recently-enacted FCRA statutory summary of rights.

Sources: Littler Mendelson P.C.; Houston Chronicle; Houston Business Journal; Wall Street Journal; Greater Houston Partnership