Houston Growth Accelerates

The Houston metro area created 112,200 jobs in the 12 months ending July 2014, a 4.0 percent annual growth rate. That performance is the seventh largest 12-month gain in 25 years. The 4.0 percent also represents acceleration in job growth, which had slowed considerably last December before picking up again this spring. As strong as 4.0 percent is, that doesn't represent a record. Over the past quarter-century, Houston has experienced faster growth spurts in '97 –'98, '06–'07, and '12–'13. The modern record was set in late '97 through mid-'98, when employment grew at an annual rate of 5.0 percent or better, an exceptional pace at a time when oil traded for less than $20 a barrel and natural gas for less than $2.50 per million BTU.

Houston once again leads the nation's major metros in job growth, ahead of Dallas-Ft. Worth (3.9 percent) and Miami (3.3 percent). Twenty-three metros reported higher percentage growth, but those are much smaller economies. Since the bottom of the recession (January '10), the region has created 420,000 jobs (17% growth). One metro—New York—has created more jobs, but no major metro area has added larger share of jobs to its employment base. Houston has enjoyed month-to-month job growth in 50 of the past 60 months. The handful of months with job losses were either January or July, the losses in those months due to predictable seasonal factors. Houston always reports job losses in January, as retailers lay off workers hired temporarily for the holiday shopping season, and almost always in July, as educators with 10-month contracts are temporarily removed from the employment estimates. The Texas Workforce Commission (TWC) factors these predictable events into a "seasonally adjusted" employment number that provides a more accurate picture of employment conditions. According to TWC, on a seasonally adjusted basis, Houston has added jobs in 53 of the past 60 months, with February '11 being the most recent month in which the region lost jobs. On a seasonally adjusted basis, the region has created 106,700 jobs in the past 12 months. July's employment gains helped Houston pass a milestone. The region has created more than 700,000 jobs since January '00. Only the New York metro area has created more. To put that in perspective, Houston's job creation this century exceeds the *total* employment of all but 38 U.S. metro areas. That's the equivalent of taking every current job in Salt Lake City and dropping them into Houston.

Unlike a year ago, when several sectors still struggled to create jobs, every sector in Houston grew over the past 12 months. Subsectors with the fastest annual growth rates: building construction (13.6 percent), engineering services (13.2 percent), and oil field services (9.2 percent). High oil prices are supporting employment growth in exploration, oil field services, and oil field equipment manufacturing. Expansion of chemical plants along the Texas Gulf Coast now drives growth in construction, metal fabrication and energy services. Population growth (fed by employment growth) is creating more retail, health care, restaurant, building construction and local education jobs. Expansion of international trade is pushing growth in transportation and, to a lesser extent, wholesale trade.

At the current rate of growth, Houston should surpass 2.9 million jobs in September, and if the economy continues along its current expansion path, Houston should hit a milestone this time next year and surpass 3.0 million jobs.

Local Unemployment Rate

July's unemployment rate stood at 5.5 percent, a rate that might be the natural rate of unemployment at the national level, and is probably close to the natural rate for Houston. Local unemployment rates are not seasonally adjusted, but the 5.5 percent is in the neighborhood of July unemployment rates for '05 through '08, periods when Houston had a healthy economy. Now that school has resumed and educators and students are back in the classroom (and the educators no longer defined as unemployed), Houston may see even lower unemployment rates. If the unemployment rate continues to fall, local employers will find it harder to fill open positions, putting additional upward pressure on local wages.

As Construction Booms, "It's a Catfight for Workers"

The President of Houston based developer, Camden Property Trust, described what it's like building apartments in markets where construction is booming and skilled workers are in short supply. "It's a catfight to get subcontractors to fully staff your jobs," said D. Keith Oden. The labor shortage has become so severe that the company recently started putting guards on job sites to keep its workers from being poached by competitors willing to pay more. "We've had specific instances where people would come on site and try to round up workers," Camden's CEO Ric Campo said. "During the World Cup, we actually put big screens on our sites to get people to stay." That is one example how the tight market for workers is impacting real estate projects across the Houston area, one of the hottest building markets in the country. The labor shortage is leading to scheduling delays and significant cost overruns too. For workers with the most sought after skills, wages are up and profit margins are getting thicker. With the number of new petrochemical facilities planned, demand for those who work on such projects is getting stronger. Multiple sectors are experiencing growth, including the office market, hotels, apartments, and single-family housing. Medical facilities and schools are also seeing significant expansion. For the 12 months that ended in June 2014, permits topped $7.5 billion, marking the highest 12-month total in the city's history. Licensed trades are in high demand: electrical, mechanical, plumbers, sheet metal workers, iron workers, operating engineers, and certified crane operators. You're getting people moving here from out of state like they did in the '60's, 70's and 80's. A lot of them come from California and quite a few from Detroit. Between the first quarter of 2010 and the first quarter of 2014, the average weekly wage in the local construction industry rose 24.5 percent. That's higher than the 19.9 percent boost in the overall average weekly wage here over the same period.

Texas Now Has More Jobs in the Energy Industry

By now, most people have heard about the Eagle Ford Shale, which is one of the largest single economic developments in the history of the state of Texas and is one of the largest oil and gas development projects in the world based on capital invested. This one area has given the state the influence it now has in the worldwide energy industry, a growing energy independence; a mammoth number of jobs; bustling towns; growth in companies providing amenities such as restaurants, hotels retail and others; plus the continued growth of energy companies, and simply growth across the board. Due to Eagle Ford, Texas now has more jobs in the energy industry, and the massive production coming out of this area and other shale plays in Texas is affecting the national and international supply and demand picture. Eagle Ford had more than a $60 billion impact on the South Texas economy in 2012, and new Eagle Ford jobs were supported in the multi-county area impacted by the play. One important aspect is the shale plays are helping give America energy security, and by the end of the decade it is possible the country will be self-sustaining, which is one of the most welcoming aspects of all of this activity. Continued growth is expected to be seen in Texas' energy industry throughout a minimum of 25-40 years. Almost all of the active operators in the Eagle Ford, which does not include the service companies and subcontractors, are expecting to see growth.

Oil & Gas Company Employment in Texas Exceeds 300,000

The number of Texans working for oil & gas companies surpassed 300,000 in July 2014, highlighting a continuing industry expansion, according to the Texas Petro Index. The 302,700 workers estimated to work for services and exploration & production companies marked the first time employment in the industry has exceeded 300,000 since the index began tracking the numbers in 1995. What's driving this is the massive expansion in the Permian and the creation of activity and rapid expansion in the Eagle Ford. But in virtually every corner of the state there is active production. There has been a new record with every passing month since June 2011. Industry employment in July grew at a year-over-year rate of 7 percent, with upstream payroll adding more than 20,000 jobs in the last 12 months. July's record employment total exceeded an employment peak of 223,200 that occurred in November 2008 during the industry's previous growth cycle. That cycle, which began in the fall of 2002, was driven by something entirely different.

U.S. Economy Recovered All Jobs Lost

The U.S. economy earlier this year recovered all jobs lost during the recession, but those new jobs pay an average of 23 percent less than the ones lost in the downturn, according to an analysis released August 11, 2014 by the U.S. Conference of Mayors. Job losses in the higher-paying manufacturing and construction sectors were largely replaced by jobs in lower-wage industries, including hospitality and healthcare. The report also found a continuing accumulation of wealth among the top 20 percent of the nation's earners. From 2005 to 2012, the highest income bracket was responsible for more than 60 percent of all income gains in the country. The bottom 40 percent of earners, saw only 6.6 percent of the increases.

U.S. Economy Growth Better Than First Expected

The U.S. economy grew faster than first thought last quarter, the Commerce Department said August 28, 2014, the latest in a series of signals that suggest growth is picking up. Increased investment by businesses and a slightly improved trade picture prompted the revision, which lifted the estimated annual rate of growth in April, May, and June to 4.2 percent from the government's initial reading of 4 percent in late July. Since the economy emerged from the Great Recession five years ago, companies have been hesitant to spend heavily on new capacity, but these figures and other recent data indicate that is finally changing. The Labor Department said initial claims for unemployment benefits dropped the week of August 18, 2014 by 1,000, to 298,000, helping push the eight-week average for new claims to below 300,000 for the first time since April 2006, well before the onset of the recession. The report lowered the estimate of workers' wage and salary growth slightly in the first half of 2014, with income rising 5.8 percent in the second quarter. Corporate profits, on the other hand, jumped 8 percent. That split could change if unemployment continues to drop and the labor market tightens enough to give employees more bargaining power to demand higher pay. Although the unemployment rate has fallen to 6.2 percent from 8.2 percent two years ago, broader measures of joblessness are much higher.

U.S. Jobless Rate Drops, but Many Workers are Vanishing

Missing: nearly 3 million American workers. This isn't the latest dystopian science fiction story or the pitch for a Hollywood thriller. It is the economic trend that has alarmed experts and policymakers alike. A growing number of people – many in their prime working years – have simply given up on landing jobs. On September 5, 2014, the Labor Department reported that the overall unemployment rate edged down to 6.1 percent in August. But that improvement was due mostly to Americans dropping out of the labor force, not finding work. The pace of job creation in August slowed. Employers added 142,000 workers to their payrolls, the smallest number this year; it was the first time since February that monthly job creation fell below the 200,000 level. The labor participation rate dropped to 62.8 percent last month, the lowest level since the late 1970's. Although the shrinking proportion of Americans in the workforce is often attributed to the retirement of baby boomers, 25 to 54 year old workers are quitting as well. Just over 81 percent of this group was in the workforce last month, compared with 83.4 percent in early 2007, equivalent to the disappearance of nearly 3 million workers. For the vast majority of Americans who are employed, another challenge has been very slow wage growth since the recovery began five years ago. In August, average hourly earnings increased 0.2 percentage points, while the average workweek was unchanged at 34.5 hours.

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