Hurricane Harvey – One Year Later

The damage Hurricane Harvey inflicted on homes and families is well-documented. The storm's impact on the broader economy has received less coverage. Houston was still recovering from the collapse in oil prices when Hurricane Harvey formed in the Gulf of Mexico. Crude had traded below $50 a barrel all summer. The Houston Purchasing Managers Index suggested the recovery was struggling to gain momentum and job growth remained tepid. Houston created only 2,700 jobs over the first eight months of the year. In a more robust economy, the region would have created 10,000 to 15,000 by August. That pace suggested the year would finish with a net gain of 30,000 jobs, well below the long-term average of 60,000. However, this was an improvement over '15, when Houston lost 2,500 jobs, and '16 when the region lost another 2,200. With Houston under water, consumers stayed home. Stores, restaurants and bars closed for lack of business. Construction halted until the city dried out. Houston's retail, wholesale, restaurant and employment service sectors suffered job losses. Construction employment was flat. The region lost nearly 5,700 jobs in September. Job losses would have been worse if not for the start of the school year. Though the storm forced many campuses to delay opening, teachers and administrators were still on payroll. Education added 18,600 workers in September, offsetting Harvey-induced losses elsewhere. The sectors initially hurt by Harvey benefitted soon after the storm passed. Residents began repairing their homes. Houstonians now living in hotels had no choice but to dine out. Families who had lost possessions in the flood began to replace them. Hardware stores did a brisk business in lumber, sheetrock and paint. Long lines formed outside restaurants. Firms brought in temporary workers to help with post-Harvey cleanup. The construction, retail, restaurant, wholesale trade, and employment service sectors all set records for job growth in Q4/17. Growth perked up in other sectors as well. The region added 66,200 jobs the last three months of the year, the best fourth quarter on record for Houston.

Harvey's negative impacts on the broad economy have dissipated. The region created 39,700 jobs the first seven months of '18. Harvey's overall impact has been estimated at $125 billion, making it the second most costly storm in U.S. history. Only Hurricane Katrina, which devastated New Orleans in '05 and inflicted $160 billion in damage, was worse.

Fourth Quarter Job Growth, Metro Houston

Sector	Q4/17	Previous Q4 Peak	Q4 Avg. '92-'16
Region Total	**66,200**	**57,500 ('14)**	**32,900**
Construction	7,000	4,900 ('07)	2,500
Retail	21,500	18,500 ('12)	15,800
Wholesale	2,800	2,800 ('14)	1,300
Emp Services	4,500	900 ('92)	400
Restaurants	7,400	3,500 ('08)	1,000

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Jobs Created in Houston

Metro Houston created 101,800 jobs, a 3.4% increase, in the 12 months ending July '18, according to Texas Workforce Commission estimates. That's the strongest 12-month pace since February '15 when the economy, though entering a downturn, had momentum from the four previous years of frenetic growth. The construction sector has added 25,500 jobs over the past 12 months, an 11.9 % increase. Much of the growth is due to Hurricane Harvey recovery efforts. Administrative and support services (e.g., contract workers, security guards, janitorial, landscaping, office support) added 22,400 jobs, a 10.8 % increase. The sector is benefitting from industries relying more heavily on contract workers. Professional, scientific and tech services added 17,600 jobs, an 8.0 % bump. The sector, which includes law, accounting, engineering, computer systems and business services, is benefitting from the overall increase in business activity. Wholesale and retail trades have combined to add 13,000 jobs since July '17, a 2.7 % increase. One in every 6.4 workers in the region is employed in one of these two sectors. Wholesale trade is benefitting from an increase in foreign trade and local manufacturing activity, especially the production of oil field equipment. Retail trade is benefitting from the resurgent economy and growing consumer confidence.

Texas Employers Struggle to Find Workers

Two-thirds of Texas companies are having trouble finding enough qualified workers, and nearly that many are raising wages to attract and retain workers, according to the Federal Reserve Bank of Dallas. Sixty-three percent of Texas employers said they are paying more in this tight labor market, up 2 percentage points from last quarter and nearly 20 points from a couple of years ago. The difficulty finding workers is the result of the state's strong job growth and low unemployment rate. In July, Texas employers added jobs for the 25th month in a row, while the unemployment rate held steady at 4 percent. The region's unemployment rate fell to 4.4 percent in July, down from 5.1 percent a year earlier. The search for workers hasn't been helped by strong national economy, either. The U.S. unemployment rate in July fell to 3.9 percent, the lowest since the end of the dot-com boom in 2000. Texas employers were asked about hiring as part of the Dallas' Fed's monthly survey on factory output in Texas. Manufacturers continued to expand in August, according to the Dallas Fed, with survey's employment index holding at a 13-year high. Texas makes more than 11 percent of the nation's manufactured goods, second behind California.

U. S. Jobs and Wages Are Up

The American economy showcased its stamina September 7th as the government reported that wages in August sprinted forward at their fastest pace since the recession ended and that the job creation streak extended to 95 months. But the Labor Department's latest bulletin also hinted that President Donald Trump's tariffs could be starting to take a toll on manufacturing jobs. "What's worth noting is that even though there still remains a lot of headline noise around politics and protectionism, underneath that, the U.S. economy – and that includes labor markets – is doing quite fine," said Michael Gapen, chief U.S. economist at Barclays. Employers fattened payrolls by 201,000 jobs; the jobless rate remained under 4 percent, near territory not seen since the 1960s; and average hourly earnings rose 10 cents, up 2.9 percent from a year earlier. The manufacturing sector, however, which Trump has made a center piece of his economic and trade policies, registered fewer gains than had been previously thought. The combined addition of 93,000 jobs that the government originally reported for May, June and July was revised down to 62,000, and in August, the sector shed 3,000 jobs. The auto industry, which is particularly exposed to trade, eliminated 4,900 jobs last month after cutting 3,500 in July. But other analysts warned against drawing too many conclusions from the latest payroll report – which excludes agriculture, an industry that is very vulnerable to trade tensions. While some businesses will keenly feel the effects of tariffs, the mammoth U.S. economy is primary driven by domestic demand. The latest figures relieved some of the persistent anxiety about sluggish wages, with an increase of 0.4 percent in average hourly earnings last month. The report most likely helped clear the way for the Federal Reserve to lift its benchmark interest rate this month.

Demand Up for Drilling, Production Staff

There is a shortage of labor in almost every industry, business and company. There are salary wars between companies poaching other companies' employees; perks and benefits competitions; housing is in short demand; new construction for housing, apartments and all amenities is booming; and there is now traffic. Welcome to the Permian Basin in West Texas where the oil and gas industry is once again king. With oil prices up, this area is busy with drilling and production activities. And even though people are pouring in from around the country for the large number of jobs, there is still a shortage of staff and skilled labor. The Permian Basin covers approximately 86,000 square miles and encompasses 52 counties in Texas and New Mexico from just south of Lubbock, past Midland and Odessa, south nearly to the Rio Grande River and extending westward to the southeastern part of New Mexico. This area is also one of the country's largest producing areas for oil and natural gas, and Midland and Odessa serve as the headquarters for the energy industry. There are "help wanted" signs everywhere for skilled and unskilled labor, such as for light industrial, machinist, diesel mechanics, general mechanics, and shift work in warehousing, dispatching, clerical, accounting, and many other areas. There is also a huge shortage of commercial truck drivers, for local and around Texas. Trucks are needed to bring in the materials for all of the activities in the area. Also, every type of tech position and many disciplines in engineering are in demand. Pipeliners, welders, painters, plumbers, electricians, instrument staff and maintenance personnel are also some of the hot jobs. The job shortage is so severe they are hiring people without skills and training them. They are also hiring new college graduates. If you search Permian Basin jobs online, you will see the thousands of jobs open in every category. The oil and gas industry is fluctuating with highs and lows but experts in the Permian Basin area predict that for the foreseeable future, this boom will continue.

High-Value and High-Volume Occupations

Two factors make a given occupation especially appealing in a geographical area: it has to offer a large supply of jobs and it has to pay well. American City Business Journals (owns HBJ) developed a simple formula to determine the desirability of more than 600 occupations in the nation's 106 major metropolitan areas. Each occupation in a market is graded on a 100-point scale using 2017 U.S. Bureau of Labor Statistics data on pay and quantity. Houston has 196 occupations that had an occupation score of at least 50, which is evidence of an occupation that shines on one side of the equation, but is below average on the other. Houston had fifteen 100 point jobs, which is tied with Dallas and San Antonio but behind Austin's twenty one 100 point jobs. Not surprisingly, many of Houston's 100-point jobs are related to the oil & gas industry. Petroleum engineering scored a 100 in Houston, which has the highest concentration of petroleum engineers in the country with 10,950. Houston has a few occupations where it's one of the only markets in the country with at least 100 of those jobs. Houston is one of only two markets in the U.S. that employ at least 100 commercial drivers, locomotive engineers, rail yard engineers, and railroad brake, signal and switch operators. Many of these railroad jobs are likely related to the Houston Ship Channel and the energy industry.

HIGH-VALUE OCCUPATIONS

Occupation	Pay Ratio	Occupational Score	Local Employees	Average Annual Pay
Chief Executives	5.049	50	1,210	$271,760
Anesthesiologists	5.001	100	1,440	$269,170
Surgeons	4.298	50	480	$231,320
Family Practitioners	3.963	56	2,760	$213,300
Architectural/Engineering Managers	3.567	62	4,170	$191,970
Dentists	3.519	50	2,000	$189,410
Marketing Managers	3.367	50	2,680	$181,230
Petroleum Engineers	3.291	100	10,950	$177,110
Obstetricians and Gynecologists	3.252	50	210	$175,010
Lawyers	3.249	50	12,450	$174,870

HIGH-VOLUME OCCUPATIONS

Occupation	Location Quotient	Occupational Score	Local Jobs	Average Annual Pay
Petroleum Engineers	16.618	100	10,950	$177,110
Geoscientists	8.820	100	5,170	$154,890
Geological & Petroleum Technicians	8.279	100	2,520	$82,890
Oil and Gas Rotary Drill Operators	8.176	53	2,590	$55,470
Chemical Engineers	7.502	100	5,170	$151,290
Oil & Gas Roustabouts	7.328	50	7,260	$37,980
Oil & Gas Service Unit Operators	6.800	50	5,480	$$53,650
Wellhead Pumpers	5.899	50	1,370	$51,260
Helpers for Extraction Workers	5.869	50	1,840	$36,610
Pump Operators	5.840	50	1,390	$45,080

Houston-area Companies on the Inc. 5000 List

Ninety nine companies based in the Greater Houston area made the 2018 Inc. 5000 list, which the magazine released August 15, 2018. That's down from one hundred and thirteen last year. Inc. ranks U.S. privately held, for-profit companies by revenue growth from 2014 to 2017. Three-year revenue growth for Karya Property Management was 2,860%, which was the highest-ranking Houston company at No. 145. Founded in 2014, a minimum requirement to make the list, Karya reported $124.8 million in 2017 revenue. It employs 375 people and manages over 10,000 real estate units in four metropolitan areas. Six Houston-area companies on the Inc. 5000 list reported revenue growth of more than 1,000 percent. Those companies are Karya Property, Rebellion Phototonics, Sia Solutions, Discount Power Texas, FireDisc Cookers and Christensen Building Group.

Hurricane Season Affects Employers

When storms pass, employers may face a myriad of employment law issues. Below are ten issues employers might need to consider.

1. Payment of the Wages of Non-Exempt Employees

Under the federal Fair Labor Standards Act (FLSA), non-exempt workers must be paid only for the time they work. As a result, employers need not compensate non-exempt employees who are not working because of a storm. Notably, it does not matter whether the absence is based on the employer's decision to close a worksite or the employee's decision to stay home or evacuate. There may be exceptions during a weather event for waiting time, or on-call time.

2. Payment of the Wages of Exempt Employees

When an employer shuts down its operations because of adverse weather conditions for less than a full workweek, exempt employees must be paid their full salary. This rule also applies if exempt employees work only part of a day. If an employer is open for business, an exempt employee who misses work due to the weather situation is considered absent for personal reasons. In lieu of paying salary, an employer with a *bona fide* leave or vacation policy may require the employee to use his or her accrued paid time off to cover the absence. If an employer has a leave policy, but the absent employee does not have a leave account balance, the employer is not obligated to pay the employee.

3. Utilizing Remote Work

Employers trying to get up to speed after a storm may choose to consider allowing employees to work remotely (*i.e.*, at home), whether as a long-term or short-term solution.

4. Delays in Wage Payments

One possible consequence of a natural disaster is the delayed processing of employees' wage payments. This situation can cause employers to unintentionally run afoul of state law. Be mindful of the state laws and potential penalties for delayed payment.

5. Applicable Leaves of Absences

Employers should bear in mind that employees may be entitled to use certain types of leave to deal with the ramifications of the storm. For example, employees who have suffered a serious injury or illness—or who have a family member who did—may be entitled to leave under the federal Family and Medical Leave Act (FMLA). Even if not covered by the FMLA's provisions, an employee may qualify for sick or other leave. Certain employees may be eligible for leave as volunteer emergency responders.

6. Providing Reasonable Accommodations

Additionally, employers in the affected region should be prepared to address employee requests for accommodation. The Americans with Disabilities Act (applicable to employers with 15+ employees) requires employers to provide reasonable accommodations to qualified employees with disabilities. Because employees who are physically or emotionally (*e.g.*, post-traumatic stress disorder) injured by the storm's impact may be entitled to reasonable accommodation, employers should take all such inquiries seriously.

7. Eligibility for Unemployment Benefits

Employees who are displaced from their positions due to a storm may be eligible for unemployment compensation from the applicable state workforce commission. State unemployment benefits typically runs for 26 weeks.

8. Federal WARN Notifications

Employers that ultimately decide to close a facility, or implement a mass layoff, due to the storm's effects must evaluate whether notice will be required under the federal Worker Adjustment and Retraining Notification Act (WARN). Briefly, the WARN Act requires a covered employer (100 or more employees) to give 60 days' notice prior to a plant closing or mass layoff. Employers may give shortened (or retroactive) notice if the disaster was a direct cause of the job losses, and may be able to rely on the "unforeseeable business circumstances" exception if the disaster was an indirect cause. They must give "as much notice as is practicable," and they must state why they were unable to give notice earlier.

9. State Plant Closure or Mass Layoff Notifications

Some states have enacted mini-WARN laws or otherwise require notice to a state agency in the event of a mass layoff. Employers must notify the commission "as soon as possible, but in no case later than 24 hours after the date of separation."

10. Making Qualified Disaster Payments to Employees

Internal Revenue Code section 139 provides that an employer may make a payment to an employee that constitutes "a qualified disaster relief payment". A "qualified disaster" is generally one that is declared by the President of the United States. In short, with such a designation, employers may make payments to their employees to help them with living or personal expenses or repairing their homes without having to withhold or pay income and payroll taxes.

Sources: Littler Mendelson P.C.; Houston Chronicle; Houston Business Journal