Growth and Change in Houston

Metro Houston added nearly 1.3 million residents between '08 and '18, a 22.3 percent increase. A little more than half the growth came from migration, a bit less than half from natural increase. The growth has altered Houston's population in subtle and sometimes not-so-subtle ways. Most of Houston's foreign-born come from Latin America (61.1 percent), Asia (27.1 percent), Africa (5.9 percent), Europe (4.3 percent), Canada (1.2 percent) and Oceania (0.3 percent). Twenty countries account for the place of birth for 84.1 percent of Houston's foreign-born residents. Houstonians have become better educated over the years. One in three adults (33.1 percent) holds a bachelor's degree or higher. Ten years ago, 28.2 percent did.

Houston Creates Jobs

Houston continued to see moderate job gains in August even as the state's energy slowdown continued to cause oil and gas employers to shed jobs across the state. Metro Houston created 81,900 jobs, a 2.7 percent increase, in the 12 months ending August '19, according to the Texas Workforce Commission (TWC). Nonfarm payroll employment was 3,166,900 in August, flat from July, and down from 3,185,200 in June. The drop reflects the temporary loss of jobs associated with education. Those losses will be recouped now that the school year has begun. Metro Houston region typically adds 30,000 to 60,000 jobs the last four months of the year. If growth follows historic patterns, the region should top 3.2 million jobs by year's end. Sectors adding the most jobs over the past 12 months were professional, scientific, and technical services (21,100); manufacturing (11,500); other services (9,700); transportation, warehousing, and utilities (8,600); and health care and social assistance (8,200). Employment slipped in several sectors, the greatest losses in retail trade (-4,700); construction of buildings (-4,500); employment services (-2,900); and information (-1,700). The jobs gained in manufacturing are likely an overestimate given that three-fourths of the gains have been in equipment manufacturing and fabricated metals, sectors closely tied to upstream energy. The 9,700 jobs added in other services also appear to be a dramatic overestimate. The sector includes repair shops, nail salons, barbershops, and funeral parlors—all services linked to growth elsewhere in the economy. Though Houston's overall economic growth has slowed markedly since the first of the year, TWC has reported accelerated job growth for this sector. The agency will likely reduce job growth in the sector by 50 percent or more when it issues benchmark revisions next March.

Experts said it still may be too early to tell if the unusually troubling trends are a sign of a coming economic downturn. A slowdown in the oil and gas industry is continuing to cost jobs across the state and in Houston. Employment in oil field services peaked in May and has declined steadily since. This is not surprising given the loss of more than 200 working rigs since the first of the year. The state's mining and logging industry, which in Texas is dominated by the oil and gas industry, shed 1,800 jobs last month, cutting back its workforce for the third consecutive month. Slowing international economic activity has weakened demand for oil, but the U.S. is pumping record amounts of crude. Skeptical investors have begun to pull back from producers, and drilling activity has steadily fallen since the start of the year. In Texas, operators took a net seven oil and gas rigs out of service, bringing the state's total number of operating rigs to 423, the lowest level in more than two years, according to the Baker Hughes North America rig count. And despite a recent attack on Saudi Arabia's energy infrastructure that temporarily boosted oil prices as high as $62.90 per barrel, crude prices have fallen back down to below $60 per barrel. In Houston, the mining and logging sector lost 1,100 jobs in August from July, a decline of 1.3 percent. While not seasonally adjusted, job losses of that magnitude in the sector are unusual at this time a year; historically, the sector has added 70 jobs on average during August.

The state's economy remains strong, with Texas unemployment rate holding steady at its historic low of 3.4 percent in August, the Texas Workforce Commission reported. Houston's unemployment rate was 3.9 percent in August, down from 4.0 percent in July and 4.4 percent in August of last year. The U.S. rate was 3.8 percent.

Johnson Space Center's Economic Impact

NASA's Johnson Space Center (JSC) has a $7.9 billion annual impact on the Texas economy, contributes $4.7 billion to Texas' gross domestic product, and supports 52,352 direct and indirect jobs, according to a recent study released by the Texas Comptroller of Public Accounts. The report notes that JSC is NASA's training base for its 38 active astronauts and 11 astronaut candidates. It's the site of Mission Control, which managed the Gemini, Apollo, Skylab and Space Shuttle programs. JSC also is the lead control center for International Space Station (ISS) operations. The ISS offers access to international, commercial and economic microgravity research opportunities not available elsewhere, and more than 250 research and technology development experiments operate continuously on the station. Of NASA's approximately 11,000 public and private employees in Texas, 96 percent hold at least a bachelor's degree and 43 percent hold a master's degree or higher. Space Center Houston, located adjacent to JSC, is one of the state's top tourist attractions, notes the Comptroller's report. It drew an estimated 1.1 million visitors in '18, about 66 percent of them (726,000) from outside Texas.

U.S. Economy Added Jobs

The U.S. economy added a modest 136,000 jobs in September, sending the unemployment rate to a nearly 50 year low, a mixed bag that some economists said was more evidence that the country could be headed for a slowdown. The pace is well below average monthly growth last year, though the unemployment rate of 3.5 percent was the country's lowest since 1969. Consumer spending continues to help pace the economy, even as business investment has pulled back. "It's kind of a mixed picture," said Douglas Kruse, an economist at Rutgers University and a former White House adviser under President Barack Obama. "The job growth was less than what Wall Street and economists were expecting, but the drop in the unemployment rate was unexpected." Manufacturing has already entered a decline. The new report, issued by the Bureau of Labor Statistics, showed that the economy lost 2,000 manufacturing jobs in September, something that is expected to be a particular focus for presidential candidates next year as both parties try to appeal to blue collar workers. As the unemployment rate has fallen to historic lows, economists have watched wage data closely to see whether a tight labor market would eventually lead to higher income levels. A prime focus, both for business leaders and political leaders, continues to be the slump in manufacturing. September was the worst moth for U.S. manufacturing since June 2009, according to a closely watched industry index. And concerns have grown that the manufacturing contraction could spill over into other industries. Economists have begun warning about a significant risk of a recession. The labor force participation rate – the percentage of people older than 16 who are working or actively looking for work – remained steady at 63.2 percent, a number that is below historic averages and pre-recession levels. Monthly job growth averaged 223,000 in 2018 but has fallen this year to 161,000. The economy is a subject of particularly intense scrutiny heading into an election year.

Denials of High-Skill Work Visas are Skyrocketing

Denial rates for visas for high-skilled workers have quadrupled since 2015, a trend that makes it harder for companies that rely on these workers to find and retain talent. According to data from U.S. Citizenship and Immigration Services, denial rates for first-time H-1B visa applicants increased from 6 to 24 percent between fiscal years 2015 and 2018. Through the first half of fiscal year 2019, CIS denied 33 percent of initial H-1B visa applications. H-1B visas are highly sought work visas for high-skilled workers. Each April, CIS receives about 200,000 applications for about 85,000 of the visas. There are two types of H-1B visas; initial applications for new employees and continuing applications for renewals or employees who change jobs. The reason behind this trend is new policies the Trump administration introduced to protect U.S. workers by preventing fraud. The new policies placed greater scrutiny on applications and raised the standards for awarding and renewing foreign worker visas, according to the National Foundation for American Policy, a nonpartisan nonprofit that recently analyzed CIS data. "We had been hearing that companies had experienced more denials, but until you put the numbers together, it became clear how large a change in policy there had been and how big of an impact it's having," said Stuart Anderson, executive director of the National Foundation for American Policy. Anderson said the denials hurt companies in two ways. First, they limit growth because companies cannot hire new employees. Second, they jeopardize quality control because experienced employees who are denied their visa renewal have to stop working. "And, on a personal level, it can really have a negative impact on an organization to lose people who have been working there for many years," he added. Some of the country's most profitable and well-known companies have had more H-1B visa applications denied. Microsoft, IBM, Deloitte, Ernst & Young, Walmart, Google, Amazon and Facebook had their worker visa denial rates increase between 2015 and the first half of 2019, according to data from CIS. The two accounting firms saw their denial rates increase by 40 percent between that time and IBM experienced a 30 percent increase. CIS will question whether a company has enough work to justify the hiring or if the jobs being offered are complex enough to qualify as specialty occupations.

DOL Unveils Final Rule on Overtime

The U.S. Department of Labor unveiled its long-awaited final rule on the overtime "white collar" exemptions on September 24, 2019. The regulations, at 20 CFR Part 541, were last updated in 2004, when the DOL increased the minimum salary level for exemption from $150 to $455 per week and made changes to the job duties employees must perform for exemption from the FLSA's overtime requirements. The DOL has been working overtime to update the regulations since 2015, when it proposed to increase the minimum salary level for exemption to $913 per week ($47,476 annualized). A Texas federal district court enjoined that rule in November 2016, but the Trump administration appealed the injunction to the U.S. Court of Appeals for the Fifth Circuit. While the appeal is still pending, now that the final rule has been issued, it is expected that the agency will soon move to dismiss the appeal as moot. The final rule increases the minimum salary level for exemption to $684 per week ($35,568 annualized). The DOL will allow employers to pay up to 10% of that minimum level ($3,556.80) in commissions, bonuses, and other non-discretionary incentives. If incentive payments fall short by even $1, however, employers will owe overtime pay to shorted employees for the entire prior year. Under the final rule, employers will have only a single pay period for a final make-up payment to ensure exempt employees receive the full $35,568 for the year. The final rule also increases from $100,000 to $107,432 the total annual compensation required for employees to qualify under the shorter highly compensated test. This level is significantly below the proposed level of $147,414, likely in response to public comments. Highly compensated employees must receive the guaranteed minimum salary of $684 each week, but the remaining compensation may be in commissions, bonuses, or any other type of compensation. The DOL has abandoned its plans to update automatically the minimum salary and highly compensated levels in the future. Although the final rule does not include any new provisions regarding future increases, the DOL stated that its goal is to update the levels more regularly; any increases to the levels will come only after the DOL publishes notice of the proposed increases and provides the public with an opportunity to comment, as required under the Administrative Procedures Act.

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