Hiring Source

eNEWSLETTER | NOVEMBER 2022

ROBUST HIRING SHOWS SIGNS OF COOLING OFF

The U.S. labor market remains strong but is showing more signs of cooling following the Federal Reserve's aggressive interest-rate increases aimed at combating high inflation. Employers added a seasonally adjusted 261,000 jobs in October, a robust number but the fewest since December 2020, and the unemployment rate rose to 3.7%, the Labor Department said. Wage gains in October ticked up from the previous month. On an annual basis, however, wage increases have eased, a possible sign of loosening in the labor market.

The report points to an economy that is gradually losing momentum following a torrid stretch of growth last year and earlier this year. Over the past three months, employers added an average 289,000 jobs a month, down from 539,000 during the same period a year ago. But that is still far more than before the pandemic. In 2019, job gains averaged 164,000 a month.

The labor market is being pulled by two competing forces, said Ian Shepherdson, chief economist at Pantheon Macroeconomics. On the one hand, employers are still restoring jobs they had cut at the height of the pandemic. On the other, some are pulling back on hiring amid growing uncertainty about how much the economy is going to slow and whether it might slide into recession. "Late summer, early fall maybe, there's been a meaningful step down in the pace of hiring," Mr. Shepherdson said.

Several prominent tech firms, including ride-hailing company Lyft and payments company Stripe, announced layoffs, while online retailer Amazon said it would freeze corporate hiring and may shed 10,000 workers soon. Staffing reductions that began last month at Phillips 66 will reach 1,100 by the end of the year. Meta said it would cut more than 11,000 workers, or 13% of staff.

The report showed wage gains quickened last month. Average hourly earnings rose 0.4% in October from the previous month, up from 0.3% in September, the Labor Department said. But they slowed on an annual basis, rising 4.7% in October, down from 5% in September. Annual wage gains have been softening steadily since peaking at 5.6% in March but they remain well above where they were before the pandemic.

Construction companies, which have seen demand evaporate as mortgage rates have risen, added just 1,000 jobs in October, the report showed, down from 22,000 in September. Employment in the transportation and warehousing industries, which grew rapidly in the recovery from the pandemic, has flatlined since the summer as consumers shifted their spending away from goods and more toward services such as housing, utilities and transportation.

The share of adults holding or seeking jobs—the labor-force participation rate—fell slightly last month to 62.2% from 62.3%, which could keep the labor market tight. Notably, participation of prime-aged workers, those between the ages of 25 and 54, has fallen for two straight months.

TEXAS ADDED 900 OIL JOBS IN SEPTEMBER

Texas continued to add oil and gas jobs in September, a sign that energy companies expect that global demand for oil will remain strong even as recession fears grow.

Texas added 900 exploration and production jobs in September, according to an analysis of labor department data from the Texas Independent Producers and Royalty Owners Association. Job growth in the sector has jumped 20 percent to 202,900 compared with 168,000 in September 2021.

Oil and gas producers have faced supply chain issues as they've worked to ramp up production coming out of the pandemic. Those issues were exacerbated in February when Moscow invaded Ukraine, resulting in sanctions that cut off the supply of Russian oil. However, the war also pushed oil prices to multiyear highs, resulting in billions of dollars in profits for the industry.

Since September of 2020, after the pandemic had brought oil and gas production to a near standstill, the industry has added some 1,900 jobs per month in Texas, according to the Texas Oil and Gas Association. The industry trade group said that since 2020 the upstream sector has added 45,900 jobs.

"We continue to see steady growth in upstream oil and natural gas employment," TXOGA President Todd Staples said, "which is good news because these jobs pay among the highest wages in Texas and directly contribute to our country's national and energy security."

HOUSTON'S 5TH BEST YEAR FOR JOB GROWTH

Metro Houston has created 108,600 jobs through the first nine months of '22. That already makes this the fifth-best year on record for job growth.

The region added 14,800 jobs in September '22, in line with expectations for the month. In years with strong growth, the region typically creates 10,000 to 16,000 jobs in September.

Those numbers are deceiving, however. The government sector, specifically state and local education, added 16,800 jobs in September. Several other sectors—restaurants and bars, and business, scientific and technical services— showed uncharacteristically large increases as well. Those gains helped offset significant losses in other sectors.

Restaurants and bars added 5,300 jobs in September, a month in which the sector typically loses 1,000 to 2,000. Over the last two months, restaurants and bars have hired 8,700 workers. That's nearly a full year's worth of job growth. At the pace of the last few months, the sector is on track to add over 33,000 jobs this year, or three times what's typical for a year.

Professional, scientific, and technical services added 3,900 jobs in September. The sector typically sheds a few hundred jobs in the month. Only three times in the past 30 years has the sector recorded growth in September, and then no more than 500 to 600 jobs.

Sectors recording notable losses in September were construction (-3,000 jobs), retail (-2,800), wholesale trade (-2,200), transportation and warehousing (-2,200), other services (-2,100), and nondurables manufacturing (-1,200).

Historically, the region adds 20,000 or more jobs in Q4, even in recession years. The gains often top 40,000 in boom years. Businesses typically boost hiring to handle the holiday rush and meet year-end deadlines. Even with a weak finish to the year, Houston should end '22 with a net gain of 130,000 or more jobs.

Thirteen of the 18 major sectors tracked by TWC had fully recouped their pandemic losses as of September '22. As of September '22, five sectors have yet to fully recover their pandemic job losses.

Leisure travel has recovered, and event bookings have soared, but business travel has yet to return to pre-pandemic levels and that's delayed the recovery of Houston's hotel sector.

Other services include barber shops, beauty salons, repair shops, and similar small businesses. These were among the hardest hit businesses during the pandemic.

The downturn in energy began prior to the pandemic when Wall Street curtailed lending to the sector. The pandemic compounded the sector's woes. Now it deals with labor and materials shortages, a hostile regulatory climate, and pressure to adjust business models brought on by the need to address climate change.

Manufacturing's woes are tied to energy. Almost all the missing jobs involve the manufacture of equipment used for the exploration and production of oil and gas.

The information sector is dealing with structural changes in how we send and receive information that began two decades ago and were compounded by the pandemic.

Houston's recovery compares well against that of the nation and major U.S metro areas. As of September, Houston ranked sixth among the nation's 20 most populous metros in percent of jobs recovered.

OUTLOOK FOR 2023

There's a growing consensus among economists that the U.S. will slip into recession in '23. If the U.S. stumbles down that path, Houston will follow. There's some hope that the U.S. may avoid a downturn, but the odds grow slimmer each day. An October survey of economists by The Wall Street Journal placed the probability of a recession within the next 12 months at 63 percent, that's up from 49 percent in the July survey and 16 percent in October 2021. A similar survey by Bloomberg places the odds at 60 percent.

HOUSTON-AREA EMPLOYEES ARE STILL IN THE DRIVER'S SEAT

Houston-area workers will continue to secure perks from labor-strapped companies for the foreseeable future as the local economy outpaces the national economy and more technology companies move into Texas, according to compensation analysts and economists.

As companies in the energy sector and hospitality industry look to replace workers and executives who left in the wake of the pandemic, local workers will likely obtain pay raises, bonuses and more scheduling flexibility from employers looking to attract or retain workers to keep up with consumer demand growth.

Companies will also need to offer less financially-tangible benefits such as opportunities to cross-train at different jobs or in different geographic areas, and emphasize diversity, equity and inclusion (DEI) efforts in company hiring, promotion and recognition. Such employee leverage ranges from prospective corporate executives to entry-level and hourly workers.

Many of these labor challenges are affecting companies on a national level. U.S unemployment stood at 3.7 percent in October. While that was an uptick from September's 3.5 percent rate, it marked a drop from 4.6 percent in October 2021. The unemployment rate was only slightly higher than the 3.6 percent in October 2019, before the COVID-19 pandemic began.

Texas workers, however, may have even more leverage because of the state's economic growth. The state's economy grew 1.8 percent in the second quarter from a year earlier marking the country's highest growth rate among states, according to the Department of Commerce. The U.S. economy contracted 0.6 percent during the same period.

The Federal Reserve Bank of Dallas last month boosted its forecast of 2022 Texas jobs growth to 4.4 percent from its September forecast of a 4.2 percent. The Dallas Fed cited increased hiring in hospitality, financial services and utilities for the increase.

Meanwhile, September private-industry compensation costs in the Houston metropolitan area rose 5.4 percent from a year earlier, slightly outpacing the country's wage compensation growth rate, according to Labor Department.

NEW YORK JOB SEEKERS GET TO COMPARE PAY

New York City's pay-transparency law, which took effect Nov. 1, was designed to help eliminate pay inequities, but it has many other effects, including this one: for the first time, New Yorkers can compare salaries for the same role at multiple companies.

The listed ranges can help shed light on how companies make compensation decisions, a process that has long been a mystery to job seekers and employees. How pay is determined has also become more complex, executives and advisers say. Many large companies have roughly 15 salary grades, or broad pay bands internally; human-resources staffers then try to match similar roles across departments to each of those levels. Companies often then buy data sets listing salaries at rivals or in an industry as a whole in an attempt to benchmark pay to others.

The new law requires nearly all employers with staff in New York City to list pay on job postings, along with internal transfer or promotion opportunities. Companies hiring for remote positions that could conceivably be done from New York must also comply with the law and list minimum and maximum salary ranges, city officials have said.

New York's law doesn't require companies to include information on benefits, bonuses or additional stock-based compensation. Many employers note on listings that base pay can vary by location, skills and other factors. Though the law requires employers to post "good-faith" ranges, what that means in reality is up to some interpretation, executives say.

Some companies are also spelling out the differences in pay between locations on job listings. Cost-of-living differences can account for variations in pay between states, compensation specialists say. Colorado's salary transparency law took effect last year, while salary ranges will be required in states such as California and Washington beginning in January. Companies that fail to comply with New York City's law could face fines or other penalties.

SOURCES

Wall Street Journal; Greater Houston Partnership; Houston Chronicle; Houston Business Journal