Hiring Source

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HOUSTON ADDS JOBS

Houston added 32,400 jobs in October, according to the Texas Workforce Commission (TWC). That ties a record for the month, the previous being set in October of '17 when hiring surged after Hurricane Harvey. Through October of this year, the region has added 144,500 jobs. Metro Houston employment now tops 3.3 million.

TEXAS EXECS HAVE LAYOFFS ON THE MIND

Texas business executives are more optimistic about the nation's economic outlook than their peers in other states, even though more than a quarter of them have started or are considering layoffs.

According to businesses that have responded, 8 percent have already laid off employees and are considering additional layoffs, 8 percent are in the process of laying off employees, and 12 percent are considering layoffs. The other 73 percent aren't considering layoffs over the next six months, higher than the 59 percent average among the states. Texas respondents indicated their top concerns over the next year are the economy, inflation and pricing, and labor and employment issues. Texas' executives are more concerned about labor than those in any of the other states, with 43 percent of Texas respondents identifying it as a top concern. Texas executives that participated represented a range of industries from agriculture, healthcare and finance to real estate, retail, telecommunications and energy.

A VIEW FROM THE OIL PATCH

It's taken nearly three years, but the U.S. rig count has recovered nearly all its pandemic losses. Production has logged steady improvement as well. Employment is not as far along in the recovery. Data from the Texas Workforce Commission (TWC) indicates the state has recouped 84.1 percent of the oil field service (OFS) jobs and 63.2 percent of the exploration and production (E&P) jobs lost in the downturn. Houston lags the state, recovering only 54.5 percent of its E&P losses and 50.8 percent of its OFS losses.

STIFF DEMAND DRIVES GAIN IN JOBS, WAGES

The U.S. labor market remains historically tight, with many employers competing for a limited pool of workers and bidding up wages despite an uncertain economic outlook.

Employers added 263,000 jobs in November, holding near the strong gains of the previous three months, when they averaged 282,000 a month, the Labor Department said. Job growth has slowed from the first half of the year and continues to well exceed its 2019 prepandemic pace, though some large corporations have recently announced layoffs.

The jobless rate remained at 3.7% last month, a historically low level that is pushing up wages. Average hourly earnings grew 5.1% in November from a year earlier, holding above the prepandemic pace of roughly 3%. One reason employers might continue to raise pay briskly: labor force participation, or the share of adults working or seeking a job, remains below prepandemic levels and ticked down last month.

Revised wage data could concern Fed officials because it points to an acceleration in pay gains in recent months. Average hourly earnings grew swiftly in November from a month earlier across industries including retail, transportation and warehousing and information services.

One big question is how long the labor market's strength can last as the Fed raises interest rates. In November, payrolls grew in leisure and hospitality, healthcare and government. The information sector—which includes many tech jobs—also hired workers at a healthy clip.

But cracks are emerging. Some companies in technology, entertainment and real estate are shedding workers, with many growing nervous about the economic outlook. Firms in retail and warehousing are cutting jobs this holiday season as consumers shift their spending from goods to services such as restaurants.

Economists expect higher interest rates will trigger more widespread layoffs and some forecast a recession in the next year, as has typically occurred during prior episodes of fast rate increases. They are closely monitoring the pace of hiring for signs of shifts in labor-market momentum.

CNN said it was laying off employees, and Door Dash said it would trim its corporate staffing levels by about 1,250. AMC Networks said in a memo to employees that it plans to lay off about 20% of its U.S. workforce.

Corporate layoff announcements generally have been concentrated in the technology industry and sectors of the economy sensitive to interest rates such as housing and finance. Other businesses are quickly scooping up laid-off workers as job openings remain well above prepandemic levels, even in sectors such as real estate.

LABOR SHORTAGE IS LIKELY TO CONTINUE

The Federal Reserve has been working to cool down the hiring market, but the latest data shows few substantial changes in the nation's labor market dynamics — meaning employers in many industries are likely to continue facing significant challenges finding talent.

The United States added about 263,000 jobs in November, far above expert estimates of around 200,000. The unemployment rate sits unchanged from at 3.7%. The Labor Force Participation Rate dropped slightly to 62.1% in November, down from 62.2% in October and down from 63.4% in the month before the pandemic. The closely watched "quit rate" or the number of workers who voluntarily left their jobs, dropped slightly to 2.6% in October, down from 2.7% in September, but still far above pre-pandemic levels. And, despite high-profile layoffs in the tech sector, overall layoffs remain flat.

Add it all up, and it's another example of why the tight hiring market is expected to persist in 2023 — even if there is a recession. It's a market that has limited businesses' growth opportunities and pushed wages higher, although there are some best practices for winning in this hiring climate.

Experts say the circumstances will make it pivotal for businesses to broaden their horizons when searching for talent — in terms of where they are looking, their job requirements and how they negotiate with candidates on pay, workplace flexibility or other factors.

In September, Powell said the Fed expected unemployment to hit 4.4% in 2023 after edging up to 3.8% by the end of the year. In a speech on Nov. 30, Powell stressed there is a current labor force shortfall of roughly 3.5 million people, reflecting lower population growth as well as lower labor force participation that forecasters had expected to move back up fairly quickly after the pandemic faded.

"In the labor market, demand for workers far exceeds the supply of available workers, and nominal wages have been growing at a pace well above what would be consistent with 2% inflation over time. Thus, another condition we are looking for is the restoration of balance between supply and demand in the labor market," Powell said. " Looking back, we can see that a significant and persistent labor supply shortfall opened up during the pandemic — a shortfall that appears unlikely to fully close anytime soon."

Powell stressed more retirements than expected accounted for about 2 million of the 3.5 million labor force shortfall, as older workers worried about their health, saw their overall wealth rise alongside housing prices and simply decided to opt out.

"The data so far does not suggest that excess retirements are likely to unwind because of retirees returning to the labor force. Older workers are still retiring at higher rates, and retirees do not appear to be returning to the labor force in sufficient numbers to meaningfully reduce the total number of excess retirees," Powell said.

He also noted the labor pool of younger workers is smaller than previous generations, a generational phenomenon that is often changing the game for employers and employees alike alongside the mathematical certainty that there will simply be fewer workers.

Average nonfarm wages rose 0.6% in November and have risen 5.1% over 12 months. While in many cities across America that did not outpace inflation, it still did in some.

The construction industry added 20,000 net jobs in November, and the construction unemployment rate fell to 3.9% in November, according to data from the Associated Builders and Contractors trade group.

But there are a few signs the Federal Reserve's rate hikes are having an impact. The number of job openings in October dropped to about 10.3 million, down from nearly 10.7 million in September.

SOURCES

Wall Street Journal; Houston Chronicle; Houston Business Journal