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September 21, 2020

EMPLOYMENT

Metro Houston added 5,300 jobs in August, according to the latest data released by the Texas Workforce Commission. In a booming economy, Houston might add 10,000 to 15,000 jobs in August. In a weak economy, between 3,000 and 5,000.

Local employment received a boost in August as federal payrolls surged by 4,300 workers, all temporary hires to work on the 2020 Census. If not for this surge in federal hiring, job growth would have been flat.

SECTOR OVERVIEWS

Mining and logging (*i.e.*, energy) cut 500 jobs in August. Low oil prices, weak demand, and the collapse in drilling activity has forced the industry to restructure. The sector has lost 15,300 jobs, one in every five, since the beginning of the pandemic.

Manufacturing shed another 1,500 jobs in August and remains 17,700 below February levels. Nearly all of the losses can be attributed to the downturn in oil and gas.

Construction employment fell by 1,600. Though single- and multi-family construction continues at a brisk pace, activity for public works and heavy industrial projects has waned.

The pace of construction for warehouse and industrial space may finally be tapering off. In December, more than 21.1 million square feet of space was under construction. As of early September, only 16.1 million square feet was under construction. That said, builders plan to add 10 to 12 million square feet of warehouse/industrial space above what the market can absorb this year. Despite more than 50 million square feet available for direct or sublease, office construction has ticked up to 4.0 million square feet.

Projects booked prior to the pandemic have kept many construction firms busy. As they work off their backlogs, few new projects are coming in. Additional layoffs are possible.

Wholesale trade added 1,000 jobs in August. The modest job gains reflect improving retail sales. Sector employment remains 16,200 jobs shy of its pre-COVID level. Without an increase in exploration or manufacturing activity, recovery will be slow.

Retail recouped another 3,400 jobs, with approximately one-third of the gains coming from general merchandise stores (e.g. Target, Wal-Mart, Macy's). Nationwide, August retail sales were up 5.1

percent compared to last year. (Local data is not available.) Governor Greg Abbott's Executive Order allowing stores, malls and shops to reopen has helped support retail's recovery.

Transportation, warehousing and utilities, also benefitting from the reopening of the economy, added 700 jobs in August. However, if Washington doesn't offer this sector some form of financial assistance, airlines could follow through on their plans to lay off thousands of workers in the coming months.

Financial activities added 100 jobs, which is essentially flat for the sector. The finance and insurance subsector added 400 jobs while real estate, rentals and leasing cut 300. The latter losses likely stem from a drop in the rental of equipment by firms in the energy and construction industries.

Professional, scientific and technical services added 2,100 jobs. The sector lends itself to working remotely, so losses were minimal during the height of the pandemic. This will be among the first sectors to return to pre-COVID employment levels.

Educational services, which includes private education, tutoring and testing services, added 800 jobs in August. Many private schools reopened in August, thus boosting employment in the sector.

Health care and social assistance cut 5,300 jobs in August. The sector had healthy gains in May, June and July, so it's unclear what caused the sudden reversal. A possible explanation for this could be additional daycare closures.

Arts, entertainment and recreation lost another 1,100 jobs. The losses were expected. The sector typically loses 500 to 1,200 jobs in August as the vacation season ends, summer camps shut down, and families shift their focus from outdoor activities to school.

Accommodations added 100 jobs, which is more likely a rounding error in TWC's estimates and not actual job growth.

Food services and drinking places (restaurants and bars) added 1,200 jobs, the sector benefitting from a combination of the governor's gradual reopening of the state's economy and consumers growing more comfortable with dining out. Under Governor Abbot's most recent executive order, bars remain closed; as a result, all of the growth came from food services.

The **government** sector added 300 jobs in August. This small gain would have been a significant loss if not for the previously noted hiring of temporary employees to assist with the census. These jobs will disappear over the next three months. However, the pending loss will be more than offset by an increase in public education jobs as school districts and colleges ramp up for the fall semester.

RECOVERY TO DATE

As of mid-August, Houston has recovered one-third of the jobs lost during the pandemic. Several sectors are well on their way to recovery. Retail, finance, professional/scientific/technical services and administrative support services have recouped 60 percent or more of the jobs initially lost.

For others, the recovery has been slow to materialize. Wholesale trade, transportation, real estate, educational services, and hotels have recouped less than 20 percent of their losses.

A handful of sectors continue to lose jobs. This includes oil and gas, information, and manufacturing. The losses in government are seasonal and will be recouped in the fall.

IMPACT OF COVID-19 ON METRO HOUSTON PAYROLL EMPLOYMENT
NOT SEASONALLY ADJUSTED

Employment Sector	March - April Job Losses	May - August Job Gains	Gap from Pre-COVID Level	% Recovered (red shading indicates still losing jobs)
Total Nonfarm	-350,200	113,800	-236,400	32.5%
Mining and Logging	-8,500	-6,800	-15,300	
Construction	-31,300	3,400	-27,900	
Manufacturing	-13,300	-4,400	-17,700	
Durable Goods	-7,600	-9,000	-16,600	
Nondurable Goods	-5,700	4,600	-1,100	
Wholesale Trade	-17,000	800	-16,200	4.7%
Retail Trade	-27,700	21,900	-5,800	79.1%
Transportation, Warehousing	-3,800	300	-3,500	7.9%
Utilities	100	0	100	0.0%
Information	-3,100	-800	-3,900	
Finance and Insurance	-400	1,700	1,300	425.0%
Real Estate, Rental, Leasing	-5,000	900	-4,100	18.0%
Professional, Scientific, Technical Services	-8,800	6,600	-2,200	75.0%
Administrative and Support Services	-13,700	12,200	-1,500	89.1%
Educational Services	-5,800	800	-5,000	13.8%
Health Care and Social Assistance	-41,000	23,400	-17,600	57.1%
Arts, Entertainment, and Recreation	-18,000	7,500	-10,500	41.7%
Hotels	-9,100	1,400	-7,700	15.4%
Restaurants, Bars	-101,800	60,200	-41,600	59.1%
Other Services	-27,400	12,800	-14,600	46.7%
Government	-10,100	-30,800	-40,900	
State Education	-2,700	-7,700	-10,400	
Local Education	-7,000	-27,200	-34,200	

Source: Partnership calculations based on Texas Workforce Commission data

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