Generating Jobs in Challenging Times: A Texas-Sized Story

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This podcast series focuses on topics of national interest within the field of economic development. This particular session highlights efforts related to job growth and workforce development strategies in Houston, which may serve as an example for other cities.

Elizabeth Sobel Blum: Welcome to the Federal Reserve Bank of Atlanta’s Economic Development podcast series. I'm Elizabeth Sobel Blum with the Federal Reserve Bank of Dallas.

According to researchers at the Houston branch of the Dallas Fed, Houston's job growth essentially matched that of the nation's in the beginning of the economic recovery, but by early 2010, Houston surged ahead. From December 2009 to December 2011, Houston's annual rate of job growth was 2.4 percent, much faster than the nation's rate of 1 percent.

Much of the job growth is attributable to the energy and energy-related sectors, but the city has had success in other sectors as well. Houston's success has not gone unnoticed. In late September 2012, economic developers from around the world will meet there for the annual International Economic Development Council Conference, at which Houston's strategies will be highlighted.

Today I am speaking with Craig Richard, chief economic development officer of the Greater Houston Partnership. Craig joined the Partnership in March 2008 and leads the organization's economic development initiatives, which include business recruitment; business retention and expansion; international trade and foreign direct investment; research; and Opportunity Houston—an economic development marketing program aimed at generating business leads throughout the region.

Craig, thank you for speaking with us today.

Craig Richard: Thanks for the opportunity.

Sobel Blum: To start, can you describe what makes the Houston job market relatively strong?

Richard: Sure. Houston's job market is unique for several reasons. For one, we were the first of the major metro areas to recoup all of the jobs lost during the recession. We lost about 153,000 jobs during the recession, but we have added more than 210,000 jobs during the recovery. So employment in Houston is higher now than it has ever been in our region's history.

Secondly, private-sector job growth has been pretty phenomenal—growing about 4.3 percent and adding more than 95,000 jobs over the past 12 months. All sectors but two—government and information—are growing. The weakness of the information sector, however, isn't solely resigned just to the Houston area. The government sector has always been the last to recover, and with growing sales tax collections and rising property values, we expect the recovery in the government sector to begin soon.

And then lastly, we have created a climate here in the Houston area that is attractive to business. Low tax rates, minimal permitting hassles, low operating costs, and an abundance of skilled workers, all of which have helped us attract new businesses to the region, and those businesses create jobs.

Sobel Blum: What specific industries are driving job growth? What are your views on why this might be occurring? And, what percentage of these new jobs do you anticipate will come from local businesses’ expansion versus recruitment?

Richard: Several sectors have experienced pretty incredible job growth over the past 12 months. Energy is, primarily, the number one leading industry sector, along with machinery manufacturing, health care, hotels and restaurants, and personal services. And the increase in activity in the energy sector has supported growth in machinery manufacturing, much of it geared, of course, toward the oil and gas industry.

Health care has benefited from the Texas Medical Center, which is located in Houston and has the world's largest concentration of hospitals, doctors, medical researchers, and laboratories. It continues to draw talent and money to our region.

And our growing population—the metro area in Houston adds about 100,000 residents every year. This has increased the demand for medical services, and has also increased the health care employment.

So our average annual wage in Houston is about $9,100 higher now than in 2009, according to the [Texas] Census of Employment and Wages. More people are dining out, and as a result, food service employment is growing. And as Houston's population grows, so does the demand for all sorts of personal services like dry cleaning, automotive repair, day care. So employment in these consumer-related service sectors is growing as well.

Sobel Blum: As you may know, the Federal Reserve System is keenly interested in workforce development matters. I'm curious to know about the role of Houston's workforce development initiatives in supporting continued prospects for job growth. For example, how are workforce development entities, including community colleges, partnering with industry to expand the pipeline of qualified job candidates?
Richard: Well, the Greater Houston Partnership's role is to be a key convener or facilitator between the local business community and the education community. We engage business leaders and education leaders on policy issues such as advocacy for pre-K programs; promoting additional resources for teaching science, technology, engineering, and mathematics in K–12; and ensuring adequate state funding for our universities, our community and vocational colleges, which frankly has been a challenge given the recent fiscal climate. So, we have a top-down, bottom-up engagement on all levels, and it makes communication between the business community and the academic and educational institutions quite natural and quite frequent, which basically helps to fulfill that pipeline that is needed for tomorrow's workforce.

Sobel Blum: Are you aware of any efforts to help increase job attainment among populations that tend to face relatively high unemployment levels, including youth and racial and ethnic minorities?

Richard: Absolutely. As part of our business attraction and expansion efforts, we promote programs that encourage companies to hire from disadvantaged populations. For example, the Texas Enterprise Zone Program, which allows local communities to partner with the state to promote job creation and capital investment in economically distressed areas, and when they do the state provides a refund of those firm’s sales and other taxes. The Texas Back to Work offers employers a wage subsidy of up to $2,000 per qualified out-of-work Texan that they hire. We also have an active EB-5 program, which encourages foreign investment that supports hiring from underserved populations.

Sobel Blum: While Houston has its unique set of advantages and challenges, are there lessons that Houston leaders have learned that may be relevant for other communities who are interested in dramatically growing their job base outside of recruiting businesses from other localities?

Richard: Well, we learned in the '80s that we shouldn't try to be something that we are not. While Houston welcomes film crews, for example, whenever they shoot in Houston, we know that we'll never, ever be another Hollywood. While we support vehicle manufacturing that occurs in Houston, we know that we'll never, ever be another Detroit. But we've recognized our strengths, which are engineering, energy, health care, applied research, international trade, and we have built on those things. So in Texas parlance, we learned to dance with the ones that brought us; that's the key to our success.

Sobel Blum: Thank you for joining us today.

Richard: Thank you.