

To: Gulf Coast Workforce Board Members

From: Rodney Bradshaw
Mike Temple

Date: September 28, 2011

Subj: Board Meeting Materials for Tuesday, October 4, 2011

The next meeting of the Gulf Coast Workforce Board is scheduled for **10:00 a.m., Tuesday, October 4, 2011**, in the second floor Conference Room A, 3555 Timmons, Houston.

Chairman's and Committee Reports. Audit /Monitoring Committee Chair Garcia will review findings from the Quality Assurance Team and financial reviews. Strategic Planning Committee Chair Bowles will present recommendations from the committee, including possible recommendations to adjust targets and measures. The committee will meet in advance of the Board meeting and may bring additional recommendations. The Report Card Committee is reviewing and updating the Boards report on the status of our workforce, as compared to six other areas around the country. Chair Shaw will summarize work to date, and anticipates the Committee presenting a final report at the December Board meeting.

We want to take a few minutes to recognize the contributions of some of the system employees that have been nominated by their peers for good work. Career Office Committee Chair Holub will recognize recipients of Service Excellence Awards.

Information Items. The System Performance Reports reflect a high degree of activity and some less than desired outcomes. Two measures with lagging performance are customers employed first quarter after exit (at 66% vs. 79% goal) and exiters with earnings gains of at least 20% (at 25% vs. 41% goal). We also identify four production measures (state program measures) where we are below target. The state is dropping two of the measures and modifying the other two for the new contract period. We are serving a larger number of employers (42,000+) than last year with 78% of those receiving a service returning for additional service. Employment and earnings outcomes will likely improve with an improving labor market.

As a result of the last Board action, we closed four of our career centers. However, we have been able to identify new ways of putting services in the community and include a summary of new activities and locations.

As always, we appreciate your time and effort in building a local workforce system that works for our employers and residents. We look forward to seeing you Tuesday.

The Gulf Coast Workforce Board Tentative Agenda

Tuesday, October 4, 2011 at 10:00 a.m.

H-GAC Conference Room A

3555 Timmons Lane, Second Floor, Houston, Texas 77027

1. **Call to Order and Determine Quorum**
2. **Adopt Agenda**
3. **Hear Public Comment**
4. **Review August 2011 meeting minutes**
5. **Declare Conflicts of Interest**
6. **Consider Committee Reports**
 - a. *Audit/Monitoring.* The committee chair will present an update from the committee's September 2011 meeting.
 - b. *Report Card.* The committee chair will discuss plans for the the next Gulf Coast Workforce Board Report Card.
 - c. *Career Office.* The committee chair will recognize winners of the semi-annual Honeycomb Awards for teamwork and innovation/initiative.
7. **Take Action**
 - a. *Strategic Planning.* The committee chair will present information from last year's performance and progress in achieving the Board's desired results as well as presenting a minor change in the Board's Measures, Baselines and Targets for consideration.
8. **Receive Information**
 - a. *System Performance.* Staff will summarize current performance against Board measures and grantor requirements.
 - b. *Expenditures.* Staff will report on current expenditures.
 - c. *Update on system operations.* Staff will provide a brief report on establishing itinerant service points for offices we recently had to close.
9. **Look at the Economy**

Staff will discuss current economic data and trends in the Gulf Coast labor market.
10. **Adjourn**



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**MINUTES OF
THE GULF COAST WORKFORCE DEVELOPMENT BOARD
TUESDAY, AUGUST 2, 2011**

MEMBERS PRESENT:

Dula Abdu	Gerald Andrews	Willie Alexander
Sara Bouse	Carl Bowles	Scott Buchel
Bill Crouch	Stephanie Dees	Sal Esparza
Yvonne Estrada	Joe Garcia	Mark Guthrie
Barbara Hayley	Bobbie Henderson	Tracie Holub
Eduardo Honold	Guy Robert Jackson	Valeria Jackson-Forrest
David Joost	Birgit Kamps	Jeffrey Labroski
Ray Laughter	Steve Lufburrow	Lynn Lumsden
Linda O'Black	Janice Ruley	Allene Schmitt
Richard Shaw	Myles Shelton	Gil Staley
Tom Stinson	Frank Thompson	Evelyn Timmins
Bill Weaver		

H-GAC STAFF MEMBERS PRESENT

Rodney Bradshaw
Mike Temple
David Baggerly
Ron Borski

Mr. Frank Thompson, Chair, called the meeting to order at approximately 10:00 a.m., on Tuesday, August 2, 2011, in the 2nd floor, H-GAC Conference Room A, at 3555 Timmons Lane, Houston, Texas. Mr. Thompson determined that a quorum was present.

ADOPTION OF AGENDA

Mr. Thompson asked for an adoption of the agenda as presented. A motion was made and seconded to adopt the agenda. The motion carried.

PUBLIC COMMENT

Mr. Jorge Ferragut representing Instituto de Computacion ABCS spoke to the Board regarding Instituto de Computacion ABC's lack of funding for his students.

MINUTES FROM JUNE 7, 2011

Mr. Thompson asked if there were any additions or corrections to the minutes for the June 7, 2011 meeting. A motion was made and seconded to approve the minutes as presented. The motion carried.

DECLARE CONFLICTS OF INTEREST

No one declared a conflict of interest.

CONSIDER COMMITTEE REPORTS

Audit/Monitoring

Mr. Joe Garcia explained that the committee met on Thursday, July 21, 2011 at 9:00 am and discussed the following.

The Regional Quality Assurance Team completed annual reviews at two career offices, Humble and Conroe. The Conroe review has not been published yet, but the Humble is the first office to achieve an above average rating.

Financial reviews.

Interfaith of the Woodlands. Interfaith's independent audit did not test several fund streams as major programs, which is required by federal circular. We are working to resolve this.

ResCare Workforce Services. ResCare's actual FY10 indirect cost rates were lower than those billed. ResCare will refund the difference.

Houston Works. As we reported at the last meeting, we continue to work with Houston Works to resolve findings relating to reviews we conducted in November 2010 and January, March and June 2011. Currently there are about \$31,000 in questioned costs and several procedural findings that remain. Houston Works has a deadline of September 1, 2011 to resolve all outstanding findings.

Mr. Garcia stated that the Texas Workforce Commission has completed the field work for its annual review of our system. At the exit conference, reviewers reported several findings, two of which are of note.

- Two of our contractors – Collaborative for Children and Galveston College – had potential findings related to procurements they conducted with our funds. We will work with both to make sure they provide full and complete information for the state reviewers.
- We are not consistently terminating computer access for staff members that have left employment in our system in a timely manner. This is a repeat finding and is

related to contractors providing us notice of staff exits. Several weeks prior to the state monitors' visit, we began requiring contractors to provide us a monthly summary of all staff hiring and termination and to make sure they provide us timely notice of all staff terminations. We established an automatic fine for failing to provide the monthly summary or failing to provide timely notice of terminations.

We expect a written report from TWC in the near future.

TAKE ACTION

- a. Procurement. The committee chair will provide the committee's recommendations for 2012 Workforce Solutions operations and a summary of the July 28, 2011 public hearing on those recommendations. Total amount of 2012 Workforce Solutions contracts would not exceed \$170,806,161.

Mr. Mark Guthrie stated that Procurement Committee met on Thursday, July 21, 2011 at 10:00 am to review and recommend funding for 2012 Workforce Solutions operations. He began by explaining that in 2008, the Workforce Board procured contractors for its operations affiliate, Workforce Solutions, on a five-year cycle. The Board solicited bidders through its public request-for-proposal process and awarded contracts which are renewable annually for the next four years, based on demonstrated performance, availability of money and the Board's approval each of those years.

The 2012 contract year will begin on October 1, 2011 and will be the fourth year of the five-year cycle. We expect to have about \$171 million available for Workforce Solutions operations which is an 18% reduction over last year.

Continued high unemployment and sporadic job growth in our region over the past year means Workforce Solutions has struggled to meet the Board's performance targets. Production numbers, however, have improved in several problem areas. We have been working with contractors to mitigate the cuts necessary to reach our revenue projections and at the same time find ways to increase the system's effectiveness in delivering service. Recommended changes for 2012 include:

- Reducing the number of career office locations from 29 to 25 by closing Winnie, Downtown, Spring Branch, and Galveston. Where we close an office, we would open an itinerant location for staff to take applications, make referrals and be available on a regular schedule.
- Creating call centers within each of the three career office contractors to handle financial aid applications, eligibility and counseling support for customers who apply for and receive substantial or long-term financial assistance from us. This would include scholarships for training or education and support for child care expenses. These call centers would also be centralized administrative points for each contractor's compliance and performance tracking.

- Reducing staff positions in the system from 950 to 800. This does not mean contractors are laying off 150 people now – the higher staff number reflects funded positions in place at the beginning of the year and does not account for staffing reductions over the past eight months or currently vacant positions. We would finalize any current staff reductions after the Board approves 2012 contracts.
- We would maintain our funds for scholarships and education support at about \$8 million. We would likely continue to have a wait list for scholarship resources throughout the year, as well as wait list for our assistance for child care expenses.

Employer Services

Employment and Training Centers, Inc. operates Workforce Solutions' Employer Services which markets and provides a range of human resources service using 78 staff. The staff is located in career offices and a central unit in Houston.

Employment and Training Centers also operates two worker transition centers – one in the Clear Lake City area for the NASA Johnson Space Center and one in Sealy for BAE – and is providing outplacement support for area school districts and the City of Houston for their recent layoffs.

For 2012, ETC will work with more than 37,650 employers.

Three contractors would operate 25 offices and multiple itinerant sites using 672 staff. Each would also operate its own centralized customer service/administrative call center.

Houston Works	Astrodome, East End, Hobby, Northline, Northeast, Northshore, Pasadena, and Southwest (8)
Interfaith of the Woodlands	Columbus, Conroe, Cypress Station, Humble, Huntsville, Sealy, Waller, Westheimer, and Willowbrook (9)
ResCare Workforce Services	Bay City, Baytown, Katy Mills, Lake Jackson, Liberty, Rosenberg, Texas City, Wharton (8)

In 2012, career offices will again work with about 400,000 people.

Payment Office

Neighborhood Centers, Inc. employs 43 staff to operate our payment office and manage Workforce Solutions' vendor networks. This unit tracks, manages, and pays out financial aid to or on behalf of our customers.

For 2012, we expect that the financial aid office will pay out over \$123 million in financial aid for scholarships, job search support, education support, and work support expenses.

Early Education and Care Quality

Collaborative for Children, Inc. (CFC) employs 10 staff to provide quality activities for child care providers. CFC provides teachers and directors training, equipment and material grants, intensive quality improvement services, support for Texas Rising Star and National Accreditation, support for children with disabilities, support for infant/toddler care, child care resource and referral, resources for listed home providers, parenting support, and securing local match funds to match federal Child Care Development funds.

2012 Recommendations

The following chart shows contract amounts 2011 and 2012 proposed

	2011	Proposed 2012	Percent Change
Employment & Training Centers	\$ 6,205,705	\$ 5,221,114	-16%
Houston Works (1)	18,749,948	16,727,891	-11%
Interfaith	12,418,566	10,641,753	-14%
ResCare	9,355,911	8,118,801	-13%
Neighborhood Centers	3,746,915	3,400,000	-9%
Collaborative for Children (2)	4,160,964	792,445	-81%
<i>Subtotal, Systems Operations</i>	<i>54,638,009</i>	<i>44,902,004</i>	<i>-18%</i>
Financial Aid	148,811,334	123,079,157	-17%
Employer Assistance (3)	6,112,042	2,450,000	-60%
Reserve (4)		375,000	
TOTALS	\$ 209,561,385	\$ 170,806,161	-18%

- (1) Houston Works' 2012 contract is contingent upon the organization resolving all outstanding financial monitoring findings before September 1, 2011.
- (2) During the 2011 contract year, Collaborative for Children was completing Recovery Act early education quality projects and its contract total was high. CFC returns to its usual service levels for Workforce Solutions in 2012.
- (3) Employer assistance includes Back to Work payments and on-the-job training payments.
- (4) We removed dollars proposed by contractors for bonus and merit raises in the 2012 contracts. We are proposing putting some of those back – after October 1 for contractors that achieve performance and production targets and have satisfactory quality assurance reviews. Contractors that do not achieve performance would not have funds available for bonus payments or salary increases. Our funds could not be used to pay merit increases and bonuses for executives or leadership staff.

The following is a summary of our reasons for recommending the specific office closings:

Downtown

- The traffic in this office is low and its high cost means that it is one of the most expensive offices to operate
- Difficult and sometimes expensive for customers to park

- Few people live in downtown proper and remaining offices are convenient to customers living inside the loop and traveling by bus – Northline, Astrodome, East End, Hobby

Galveston

- The traffic in this office is about ½ that of the other Galveston County office – Texas City
- It is the second location in Galveston County
- It is a small self-serve office with few staff members and is overseen by Texas City office management
- Many more jobs in Texas City
- We will find space in Galveston to provide itinerant services to people unable to travel to Texas City

Spring Branch

- This office is not as busy as Westheimer and not far from that location
- The Katy Mills offices provide self service job search for customer in the Katy area
- The large number of financial aid customer served at Spring Branch have already begun to receive services from Interfaith's customer service call center which will be located at Westheimer
- Lease costs are substantial

Winnie

- This is our smallest and least visited office
- We have only two staff in Winnie making it difficult to operate when one of them is out
- Customers will receive better service from the larger offices at Baytown and Liberty

Addressing Compliance Issues

When the Board approved 2011 contracts, we addressed three production and compliance issues. Following is a summary of the status of these issues to date.

- **Critical compliance for welfare participation rates and record-keeping.** None of the three career office contractors has achieved compliance with record-keeping requirements or participation rate production. We have seen improvement in all three contractors over the past six months, but none has yet satisfied requirements.

The state will review our system's achievements against its performance improvement plan and evaluate our sanction status in the early fall. We will review the three contractors as well.

Should the Board as a whole or any of the contractors not meet compliance requirements or reasonable expectations for participation rate production, we will review with the Board options for terminating the career office contracts.

- **Job requirements.** Career office contractors have made improvements in supervision and management during the past year. We want this to continue during 2012 and extend use of the supervisor and manager duty checklists to Employer Services and the Financial Aid Payment Office.
- **At-risk youth.** The Board approved separate contracts earlier this year for service to youth, and each of the three career office contractors has improved its production and service for youth. We will provide updated information at the October meeting on the performance of the separate youth contracts and any recommendation to extend them if funds are available.

Mr. Guthrie explained that because of the recommendations to close offices we held a public hearing on Thursday, July 28, 2011 to hear comments from people who were concerned about the career office closings. A packet containing both the comments heard at the public hearing, along with the written comments received was handed out prior to the meeting.

Several Board members had questions, comments or concerns and discussion followed.

A motion was made and seconded to authorize staff to negotiate Workforce Solutions operations contracts with Employment and Training Centers, Houston Works, Interfaith of the Woodlands, ResCare Workforce Services, Neighborhood Centers, Inc. and Collaborative for Children with the following recommendations:

- (1) Houston Works' 2012 contract is contingent upon the organization resolving all outstanding financial monitoring findings before September 1, 2011.
- (2) During the 2011 contract year, Collaborative for Children was completing Recovery Act early education quality projects and its contract total was high. CFC returns to its usual service levels for Workforce Solutions in 2012.
- (3) Employer assistance includes Back to Work payments and on-the-job training payments.
- (4) We removed dollars proposed by contractors for bonus and merit raises in the 2012 contracts. We are proposing putting some of those back – after October 1 for contractors that achieve performance and production targets and have satisfactory quality assurance reviews. Contractors that do not achieve performance would not have funds available for bonus payments or salary increases. Our funds could not be used to pay merit increases and bonuses for executives or leadership staff.

The motion carried. Dr. Myles Shelton voted against the motion.

- b. Early Education and Care. The committee chair will report on the committee's July 27, 2011 meeting and present recommendations for changing rules applicable to financial aid.

Dr. Bobbie Henderson explained that the committee met on Wednesday, July 27, 2011 to discuss parent fees and child care attendance automation system.

Parent Fees

Dr. Henderson stated that we assess parent fees based on a family's income and the number of children that we are supporting with financial aid for child care.

We assess a fee of 11% of the family's gross monthly income for one child and 13% for two or more children. We require providers to collect the fee from the parents and parents pay the fee to the provider. Providers are to notify the Payment Office if parents fail to pay their fees and a parent's financial aid is discontinued if he or she refuses to pay the fee.

A family may be eligible for a reduction in the fee under several different circumstances:

- The household has seven or more members;
- A parent needs before and after school care for a child;
- A parent needs care for a child six hours or more a day, but only for three days or less during a week; and
- There are unexpected emergencies or events which threaten a family's self-sufficiency.

We are proposing changing the part-week discount so that any parent needing care for a child three days or less a week, regardless of the number of hours per day, may have a reduction in the parent fee.

Child Care Attendance Automation System

Dr. Henderson explained that the Board implemented the Child Care Attendance Automation (CCAA) system in March 2011 and the state requires each Board to use the system to track attendance for children whose parents receive Workforce Solutions financial aid for child care expenses. Parents must use the automated swipe cards to record their child's (or children's) attendance and must call in to report any absences.

Currently we pay providers when parents do not use the swipe cards as required. We did this as transitional measure during the CCAA implementation to accommodate the changes for parents and providers.

Parents generally are complying with the swiping requirements and approximately 90% of the costs for our child care financial aid are being billed through the automated system. The implementation period is at an end, and the Texas Workforce Commission asked that we establish a rule on how we will handle days in which parents fail to swipe their cards when they bring their children to a center.

We surveyed other Boards around the state about their proposed attendance rules and found a variety of approaches.

After considering several options, we recommend the following changes to our attendance policy:

Allow parents "no-swipe" days if:

- The parent has not received a swipe card from the vendor;
- The parent is waiting on a replacement for a lost or damaged card; or

- The automated attendance equipment at the vendor site failed for some reason and prevented the parent from swiping.

Parents must call in and notify Workforce Solutions of the circumstances to take advantage of allowable “no-swipe” days.

Parents currently have the ability to cure “no-swipe” days that occur if they forget their cards or don’t swipe for several days. Within any six day period, parents can return to the vendor and cure the “no-swipe” days by using their cards for the days missed in that period. Parents cannot cure failures to swipe beyond the six day grace period.

We are recommending changing our attendance rules for those limited instances in which parents are unable to use a swipe card for reasons beyond their control.

A motion was made and seconded to accept the recommended change to our child care financial aid parent fee as presented and to adopt changes to the Workforce Solutions attendance rules for child care financial aid as described. The motion carried.

- c. Consider ratifying actions taken by the Board and in April and June 2011.

Mr. Frank Thompson explained that because the Board was not in compliance with membership requirements during April and June of this year that it was necessary to ratify all business conducted during that time.

- Updated to targeted Industries High-Skill, High Growth Occupations – Where the Jobs Are
- Early Education & Care Quality Activities
- Career Guidance and Planning System Pilot

A motion was made and seconded to ratify all business conducted in April and June 2011. The motion carried.

RECEIVE INFORMATION

System Performance

Mr. David Baggerly reviewed the System Performance measures for June 2011. These measures gauge progress toward meeting the results set out in the Board’s strategic plan. There are two sets of measures: one for the entire regional workforce system and one for the Board’s operating affiliate, Workforce Solutions. The report is based on Workforce Solutions measures.

*For Workforce Solutions
More Competitive Employers –*

Employers Receiving Services (Market Share) – we expected to provide services to 37,120 employers this year which is 28% of the 132,569 employers identified for the Gulf Coast area. Through June, we provided services to 37,883 employers.

Employer Loyalty – our performance indicates our employer customers value our services and return to us for additional services. Of a possible 30,669 employers, 24,453 returned to The Workforce Solutions for additional services.

More and Better Jobs –

New jobs created – This information is captured quarterly and reflects a two year average. We worked with employers who added 3,431 new jobs annually.

Customers employed by the 1st quarter after exit – Reporting for one quarter (October 09 – March 10), 139,857 of the 211,389 customers who exited from services were employed in the quarter after exit.

Higher Real Incomes –

Exiters with Earnings Gains of at least 20% - Reporting for one quarter (April 09 – September 09), 54,811 of the 236,781 who exited had earnings gains of at least 20%.

A Better Educated and Skilled Workforce –

Customers pursuing education diploma, degree or certificate who achieve one – Through December, 1,021 of the 4,227 customers pursuing an education diploma, degree or certificate achieved one.

In addition to the Board's measures, Workforce Solutions works to meet the state's expectations for performance on indicators related to the money we received from the Texas Workforce Commission.

For the performance year that began October 1, 2010, we are meeting or exceeding the target for nine of fifteen measures. The four measures we are not meeting are:

- Claimant Reemployment. The target for this measure is 59%. Our performance in June (10/09-9/10) was 50.8%.
- Average Choices Single Parent Participation Rate. The target for this measure is 40%. Our performance through June (10/10-6/11) was 33.1%.
- Average Choices Two Parent Participation Rate. The target for this measure is 55%. Our performance through June (10/10-6/11) was 46.1%.
- Project Rio Served. The target for June is 10,433. Our performance thru June (10/10-6/11) was 9,490.

We continue to work closely with our customers to improve performance on all measures.

Expenditure Report

Mr. Rodney Bradshaw reviewed the Financial Status Report for two months ending June 30, 2011 and stated that our expenditures are in line for the year. Mr. Bradshaw stated that we are still having issues with financial aid –the extra stimulus dollars in the system last year, increased enrollments across the system to a level that cannot be maintained without the stimulus dollars. The stimulus dollars are expiring soon and the action the Board took today will put the money back to pre-stimulus levels for scholarship assistance. As the fall semester starts we should be able to begin enrolling people back into training and education services.

LOOK AT THE ECONOMY

Mr. Ron Borski explained that the rate of unemployment increased eight-tenths of a percentage point in June to 9 percent. The increase was largely due to a decline in the number of people employed in the region. This has only happened one other time in the month of June since 2000 and that was last year. The rate is slightly higher than the state's 8.8 percent but lower than the nation's 9.3 percent rate.

Benefitting from high prices, Mining and Logging is reporting the strongest job growth in the region where employment was up 8,100 jobs or 10.0 percent over the year. Manufacturing was also reporting strong job gains, up 10,000 jobs or 4.6 percent over the year driven by strong drilling activity. Professional and Business Services added the largest number of jobs over the year, up 14,300 jobs or 3.9 percent. Employment in Construction appears to have hit bottom in April and has since reported two straight months of job gains, up 2,000 jobs in June and 3,600 jobs or 2.1 percent over the year. The only two private super sectors reporting an over-the-year loss were Information and Financial Activities.

Total Government is reflecting an over-the-year loss because current levels are being compared to inflated 2010 levels due to work on the decennial Census. State Government was also reporting a loss, down 800 jobs or 1.2 percent over the year. Job losses tied to cuts at educational institutions have not yet appeared in the data.

Overall we are seeing a continued upward trend in employment, especially with industries tied to oil and gas and supporting services.

Regional Update

Mr. Mike Temple reviewed the Regional Update for August 2011 which included a variety of information regarding our local workforce system. A story on the Aerospace Transition Center was also included.

Mr. Thompson recognized new Board members – Scott Buchel and Stephanie Dees.

ADJOURN

There was no further business to come before the Board, the meeting was adjourned.

Audit/Monitoring Committee

September 2011 Monitoring Update

Recent Activity

Career Offices. The Regional Quality Assurance Team completed annual reviews at five career offices, Hobby, Bay City, Huntsville, Texas City and Liberty. Texas City, Liberty, and Huntsville are not published yet.

Youth contracts. We have begun reviews of the four contractors the Board chose earlier this year for the Training for Youth projects. We are currently working on eligibility reviews and will begin other compliance item and service quality reviews in the near future. We will have reports available for the December Board meeting.

Financial reviews.

Neighborhood Centers, Inc. Some items were charged to the indirect cost pool incorrectly. NCI had stale dated checks; bank statements not reconciled timely and excess cash. The cost allocation plan needs some work. We are working through NCI's response now.

Collaborative for Children. CFC had stale dated checks. Amounts reported for program income and expenditures did not agree with the general ledger. They also had procurement procedure errors

Employment & Training Centers, Inc. There were instances of actual payroll differing from calculated amounts without explanation. Their hiring practices were inconsistent with their internal policies. Some expenditures in the FY10 closeout exceeded some line items and did not always reconcile to the general ledger. This same problem is occurring in the current year contract. We questioned \$28,402 of the summer jobs contract. There was a related party transaction that did not follow established requirements. We are working through ETC's response.

Houston Works. We have resolved the issues with the billings review. The monitor is currently completing the annual review and we will have those results for the next meeting.

Report Card Committee Report

September Meeting

Background

In 2005, the Gulf Coast Workforce Board released the first annual Workforce Report Card comparing the state of its workforce system to that of other competitor Sunbelt cities. Since that time the Board has published reports in 2006, 2007 and an abbreviated version in 2010. The Board decided not to publish a full report for 2010 because the most recent data available was from 2008, one year before the recession impacted the Gulf Coast region. The 2011 Report Card provides an update on how the Gulf Coast and the six comparison regions fared during the recession on following indicators: Industries and Employers; Labor Force and Knowledge Jobs; Market Alignment; Education, Income, Wealth, and Poverty; and Places to Live and Work.

Recent Activity

The Report Card Committee met on September 26, 2011 with the following members present: Committee Chair Richard Shaw, Committee Vice Chair Linda O'Black, Board Chair Frank Thompson and Bill Crouch. The committee reviewed a draft of the 2011 Report Card and gave feedback to Board staff for revision.

The 2011 rankings were, generally speaking, relatively the same as the 2010 Update, the Gulf Coast is:

- At the top in terms of industries, jobs and labor market alignment;
- At the bottom when looking at the talent pipeline and the well-being of our people; and
- Somewhere in the middle on indicators of quality of place.

All regions lost ground in all categories of our Report. Gulf Coast continued to grow jobs and retain good jobs. However, unemployment increased and incomes and home values both decreased and homeowners spent less of their income housing costs while renters' spent more. Fewer people used public transportation or carpoled and commute times to work decreased slightly. For the first time in a long time, population growth in the Gulf Coast waned. But once again, the sore spot on the report for our region is education. Gulf Coast scored at or near the bottom on literally every measure.

A presentation of the 2011 Report Card is planned for the December Board meeting.

Career Office Committee

Honeycomb Awards

Background

Workforce Solutions' Honeycomb Service Excellence Awards recognize exemplary work by staff throughout the system. Twice a year, a committee composed of contractor and Board staff makes awards from nominations received in two categories: Innovation/Initiative and Teamwork.

For Fall 2011, the committee received the following nominations:

Innovation and Initiative	Go beyond prescribed job duties to implement new ideas resulting in a better Workforce Solutions where customers get the help they need more efficiently.	12 nominations
Teamwork	Cooperation among more than one contractor and at least two of the three system parts	2 nominations

Innovation and Initiative

- ❖ **David Bethea, Len Brooks-Williams, Angela Carrizales, Heather Garcia, Valentino Murphy, Patricia Nunez, James Patterson, Wendy Ramos, Gerald Rodriguez, and Veronica Reyes**
(Employment & Training Centers, Inc. and ResCare Workforce Services)

What started as a tactic to attract skeptical employers became a platform where they now compete to attract the attention of our customers for well-paying jobs.

The staff at the Aerospace Transition Center (ATC) leveraged the free resources on LinkedIn to create a portal where customers could access Workforce Solutions services without driving more traffic into the Career Offices.

Key performance results:

- ✓ Improved customer service by developing an online access point where employers can become acquainted with job seekers.
- ✓ Expanded market share by serving Johnson Space Center contractors that previously did not use Workforce Solutions services.

- ✓ Improved system's ability to help high-income customers return to work quickly and maintain earnings.
- ✓ Served the Board's vision to allow employers access to our system and use its services without leaving their place of business.

The staff at the ATC goes far beyond simply posting open jobs on LinkedIn. They initiate online conversations that connect employers and job candidates. And, by participating in those conversations, job seekers are able to demonstrate their knowledge and employers are able to gauge the candidate's expertise.

By continually initiating fresh content, the ATC staff is able to draw attention to our customers from interested employers across the region, across the country and across the world. Their innovation and initiative with social media tools has allowed the ATC staff to help employers fill jobs and help our region retain well-educated workers.

Teamwork

- ❖ **Angela Bergalia** (H-GAC), **Lisa Bogany** (ETC), **Cally Graves** (H-GAC), **Jenny Johnson** (Interfaith), **Claudia Magallan** (Houston Works), **Cheryl Sandifer** (Interfaith), **Danny Zendejas** (ETC).

The multi-contractor team provides practical advice to job seekers via the internet.

- ✓ Because the team represents different functions across the System, the blog exposes customers to both sides of the job search process -- the candidate and employer perspectives.
- ✓ Staff "auditioned" for their place on the team and do not receive additional compensation for their work on the blog.
- ✓ The team works together to ensure that weekly articles are relevant to our current customer needs.

How Are We Doing?

2010 Report on Achieving the Board's Results

Introduction

2010 was a difficult year. Although the economic recession officially ended in June 2009, most of us are still feeling its effect. We continue to see large numbers of people without jobs, and many have stopped looking for work. Some have been out of work for so long they have fallen out of the unemployment rate calculation and are no longer considered part of our labor force.

We also see an apparent paradox. In this region, total employment is up; we are adding jobs. However, firms continue to downsize and lay off workers and unemployment remains at historic highs.

Economic recovery is complicated and fundamentally looks different than it has in the past. The job market has structurally changed. Many of the jobs we lost are not coming back.

All of this affected how the larger regional workforce system performed over the course of the year. As you will see in the following pages, performance slipped and we missed most of our performance targets for the Board's measures.

On balance, however, Workforce Solutions met most of its performance and production targets. Although we touch a large number of people and businesses through Workforce Solutions, it remains a small piece of the overall regional market.

Some Thoughts about 2010

The Gulf Coast Region entered a long road to recovery in 2010 following the worst U.S. recession since the Great Depression. The labor market had deteriorated to its worst state in decades, with job losses continuing to swell until January 2010 and estimates reporting a decline of 152,800 jobs or 5.8% from December 2008 for the Houston-Sugar Land-Baytown Metropolitan Statistical Area (H-S-B MSA). According to estimates provided by the Bureau of Labor Statistics, since early 2010, when employment levels were at their lowest and during the time period for which board results are measured, the region has been able to recover about seventy-five percent of the total jobs lost with the H-S-B MSA adding 65,100 jobs over twelve months prior to July 2011 — up 2.6%. While the region managed considerable improvement in job creation, it has yet to recover completely. We're still talking about *adding back* jobs.

Recovering all the jobs lost during the recession only puts us back at square one — where we were before the downturn.

Recent data from the Texas Workforce Commission shows the total number of jobs reported on employers' quarterly tax reports was down 3.0% over the year in the 1st quarter 2010. Wages,

according to the same reports, were also down slightly more than 680 million dollars, or 1.9% over the year. By 1st quarter 2011 employers' quarterly tax reports were up 2.1% over the year, up 52,237 jobs, with the region well on its way to recovery.

The unemployment rate for the Gulf Coast Region remained above 8% throughout 2010 standing at 8.8% in January 2011 — the same as in January 2010. The unemployment rate declined over the next several months in 2011 but subsequently rose to a high of 9.0% in June standing at 8.9% in July. The region has not seen rates of unemployment this high since the 1980s. Unemployment in the region remained higher than the state (8.7%) in July; however, it was lower than the nation at 9.3%. We expect unemployment rates to remain high throughout 2011 and not recover to pre-recession levels for several years.

The number of initial unemployment claims for benefits have remained stubbornly high with 21,132 filed in July 2011. This was a decrease of 2,305 from one year ago but an increase of 5,175 from February 2011 when the number was much lower and expectations for a decline in the unemployment rate were higher.

We are cautiously optimistic about recovery in the Gulf Coast Region. Recent estimates indicate reflect the strongest job-growth since May 2008 with the region outperforming most large metropolitan areas in Texas.

The Board's Plan and Performance

Nine years ago, the Gulf Coast Workforce Board adopted a strategic plan that described and quantified results the Board expected the regional workforce system to achieve. It includes values, mission and vision statements that explain what its members value most, why they exist as a board, and where they want the regional workforce system to be in the future. The plan continues to guide our efforts to help employers meet their human resource needs and individuals build careers. In keeping with its key values — innovation, productivity, performance and results — the Board identified four results statements that describe the difference it intends to make in the Gulf Coast region.

- More competitive employers
- A better educated workforce
- More and better jobs
- Higher incomes

The Board's measures, developed from these statements, help determine progress towards achieving the results both for the region and for Workforce Solutions, our operating affiliate. 2010 was the second year of the five-year strategic planning period, 2009 – 2013. We used 10 strategic metrics to assess performance and progress towards annual targets and longer-term goals.

For the Regional Workforce System, we focused on total employment — a gauge of how well we create and keep jobs in the region — and education credentials of working-age residents —

a gauge of the skill level of the region's workforce. In 2010, we missed all four Regional Workforce System targets, albeit two by only a narrow margin.

- Our performance slipped on all three Regional Workforce System education measures. We saw an interesting paradox — the *number* of people with education credentials increased by about 16,700 while the *percentage* of people with credentials decreased. We think this reflects the growing trend of young, low skilled people immigrating to the region from Central and South America.
- The number of people who have post-secondary degrees fell from last year by more than 7,000 people. We also see that almost 16,000 fewer people were enrolled in the region's educational systems, and some 5,000 fewer earned education credentials. Typically enrollment in post-secondary schools increases when the unemployment rate increases. This anomaly may reflect the severity of the economic crisis on families. People simply can't afford to go to school.

For the part of the system we directly control, Workforce Solutions, we focused on outcomes for individuals — employment, education and earnings. We also looked at our contribution to employers — job creation, market share and customer loyalty. We exceeded three targets, met one and missed two.

- Although regional employment was off by about 150,000, Workforce Solutions was on target with its contribution to creating new jobs in the region. Many of those new jobs, however, were not in our targeted industries or in high-skill/high-growth occupations.
 - We missed our goals for the percentage of jobs created in targeted industries by almost 13%, and in high-skill/high-growth occupations by almost 14%. However, we do see a substantial increase over last year in the *number* of jobs we helped create both in key industries and those that are high-skill/high-growth jobs.
- Our performance on helping people find jobs and increasing their incomes slipped from last year. It appears fewer customers found jobs quickly, and of those that did find jobs after working with us, fewer were still employed six months later.
- Service for employers continues to look good, reflected in our performance on market share and customer loyalty measures where we exceeded both targets in 2010. More importantly, *the number* of employers receiving service from Workforce Solutions increased from previous years to more than 38,000 businesses, and we saw some 3,000 more employers come back to us for service.

Job Creation and Employment

We use four measures as indicators of our success at adding jobs in our region, getting people employed in those jobs and increasing their incomes.

Regional Workforce System	Workforce Solutions
<p>— Total number of people employed <i>Did not meet target, 2.5 million people were working</i> The number of people working slipped again last year, reflecting the continuing effect of the recession. We missed our target of 2.65 million employed by about 150,000.</p>	<p>— Number of new jobs created as a results of Workforce Solutions partnering with other business organizations <i>Met target at 2,000</i> This year we hit our target of creating 2,000 new jobs.</p>
	<p>— Percentage of customers employed after leaving Workforce Solutions <i>Did not meet target at 72.3%</i> The percentage of customers employed after leaving Workforce Solutions slipped from last year's 79%, missing our target of 78%.</p>
	<p>— Percentage of customers with earning gains of at least 20% after leaving Workforce Solutions <i>Did not meet target at 28.1%</i> The percentage of customers who saw earnings gains of at least 20% after leaving Workforce Solutions increased from 31% in 2004 to a high of 38% in 2008. Performance slipped in 2009 to 36%, and dropped significantly again this year missing our target of 40%.</p>

Education Credentials

We use four measures as indicators of our success at improving the education level of the region's workforce.

Regional Workforce System	Workforce Solutions
<p>— Percent of the population with an education credential</p> <p><i>Narrowly missed target at 79.5%</i></p> <p>The percentage of people holding an education credential (GED, high-school diploma, associate, bachelors or graduate degree) moved down .6% from last year. Our target was 80%.</p>	<p>— Percent of customers pursuing an education credential who earn one</p> <p><i>Exceeded target at 37.2%</i></p> <p>Performance slipped from last year's 43%, although we surpassed our target of 35%. We had about 50% more customers earning credentials than we did last year. We had about 80% more than last year enrolled in school (some 2,900 customers).</p>
<p>— Percent of the population with a post-secondary credential</p> <p><i>Did not meet target at 33.8%</i></p> <p>The percentage of people holding a post-secondary credential moved down .6% from last year. Our target was 36%.</p>	
<p>— Percent of those pursuing an education credential who earned one</p> <p><i>Narrowly missed target at 19.6%</i></p> <p>The percentage of people pursuing a credential who earned one slipped slightly from last year, but stayed above 19%. Our goal for 2010 was 20%. This measure is an aggregate of the number of people who attain a high school diploma, GED or post-secondary degree.</p>	

Market Share and Customer Loyalty

We use two measures as indicators of our system's success at improving the competitive position of our region's employers.

Market Share	Customer Loyalty
<p>— Percent of employers using Workforce Solutions</p> <p><i>Exceeded target at 29.4%</i></p> <p>We increased the share of the region's employers we served from about 7,500 — or 7% in 2002 to more than 38,000 last year. Our target was 27%.</p>	<p>— Percent of employers who are repeat customers</p> <p><i>Exceeded target at 77.2%</i></p> <p>We increased repeat business from 2,700 — or 34% in 2002 to just over 23,000 last year. Our target was 73%.</p>

Following are market penetration rates for the Board's target industries. This information is a subset of the total market share shown above.

Targeted Industry Title	2007 Penetration Rate	2008 Penetration Rate	2009 Penetration Rate	2010 Penetration Rate
Oil and Gas Extraction	5.4%	3.37%	9.7%	10.94%
Support Activities for Mining	14.6%	10.0%	19.3%	18.71%
Petroleum and Coal Products Manufacturing	25.8%	12.96%	25.7%	31.25%
Building Equipment Contractors	15.9%	18%	23.5%	27.01%
Computer Systems Design & Related Services	7.9%	4.38%	10.8%	10.65%
Management, Scientific, & Technical Consulting Services	9.7%	4.94%	9.7%	10.47%
Elementary & Secondary Schools, Public/Private	47%	42.22%	75.8%	69.17%
Colleges, Universities, & Professional Schools. Public/Private	68.5%	11.82%	62.9%	54.24%
Offices of Physicians	9%	17.3%	19.9%	28.29%
General Medical & Surgical Hospitals, Public/Private	77.7%	42.71%	100%	72.12%

Targeted Industry Title	2010 Total Establishments	2010 Number Served	2010 Penetration Rate
Oil and Gas Extraction	996	109	10.94%
Support Activities for Mining	834	156	18.71%
Petroleum and Coal Products Manufacturing	96	30	31.25%
Building Equipment Contractors	2,636	712	27.01%
Computer Systems Design & Related Services	2,732	291	10.65%
Management, Scientific, & Technical Consulting Services	3,838	402	10.47%
Elementary & Secondary Schools, Public/Private	266	184	69.17%
Colleges, Universities, & Professional Schools. Public/Private	118	64	54.24%
Offices of Physicians	4,907	1,388	28.29%
General Medical & Surgical Hospitals, Public/Private	104	75	72.12%

Recommended Changes to the Strategic Plan

Although we missed a number of annual targets for 2010, we do not recommend lowering any of them for the subsequent three years of the strategic plan. We think the economy is improving, albeit slowly, and we'll see an uptick in job creation and employment.

We do, however, recommend changing the definition of two of our measures — Market Share and Customer Loyalty. Currently when staff provides labor market information (LMI) to employers, we include or count it in the calculation of performance. We recommend eliminating LMI from the performance calculation to more accurately reflect the value-added service we provide employers. We will continue providing LMI as a service to employers when requested.

Based on this new definition, we recommend adjusting annual targets.

— **Percent of employers using Workforce Solutions (market share)**

- Adjust 2012 target to 16%
- Adjust 2013 target to 17%

— **Percent of employers who are repeat customers (customer loyalty)**

- Adjust 2012 target to 55%
- Adjust 2013 target to 58%

Action

Adopt changes to the Board's Measures, Baselines and Targets as noted above.

Gulf Coast Workforce Board
System Performance
August 2011

Board Measures

These measures gauge progress toward meeting the results set out in the Board's strategic plan. There are two sets of measures: one for the entire regional workforce system and one for the Board's operating affiliate, Workforce Solutions.

We report on the Workforce Solutions measures at each Board meeting.

More Competitive Employers

Measure	Annual Target	Current Performance	Performance Last Year
<u>Employers Receiving Services (Market Share)</u> We expected to provide services to 37,120 employers this year which is 28% of the 132,569 employers identified for the Gulf Coast area. Through August, we provided services to 42,430 employers.	28%	32%	22.5%
<u>Employer Loyalty</u> Our performance indicates our employer customers value our services and return to us for additional services. Of a possible 33,980 employers, 26,649 returned to Workforce Solutions for additional services.	74%	78.4%	85.0%

More and Better Jobs

Measure	Annual Target	Current Performance	Performance Last Year
<u>New jobs created</u> This information is captured quarterly and reflects a two year average. We worked with employers who added 1,813 new jobs annually.	2,000	1,813	2,037
<u>Customers employed by the 1st Qtr after exit</u> Reporting for four quarters (Oct 09 – September 10), 291,309 of the 438,807 customers who exited from services were employed in the quarter after exit.	79%	66.4%	73.8%

Higher Real Incomes

Measure	Annual Target	Current Performance	Performance Last Year
<u>Exiters with Earnings Gains of at least 20%</u> Reporting for four quarters (April 09 – March - 10), 114,265 of the 448,799 customers who exited had earnings gains of at least 20%.	41%	25.5%	29.9%

A Better Educated Workforce

Measure	Annual Target	Current Performance	Performance Last Year
<u>Customers pursuing education diploma, degree or certificate who achieve one</u> Through August, 2,101 of the 5,311 customers pursuing an education diploma, degree or certificate achieved one.	35%	39.6%	28.5%

Production

In addition to the Board's measures, Workforce Solutions works to meet the state's expectations for performance on indicators related to the money we receive from the Texas Workforce Commission.

For the performance year that began October 1, 2010, we are meeting or exceeding the target for eleven of fifteen measures. The four measures we are not meeting are:

- Claimant Reemployment. The target for this measure is 59%. Our performance through August (10/09-9/10) was 50.9%.
- Average Choices Single Parent Participation Rate. The target for this measure is 40%. Our performance through August (10/10-8/11) was 34.5%.
- Average Choices Two Parent Participation Rate. The target for this measure is 55%. Our performance through June (10/10-8/11) was 48.7%.
- Project RIO Served. The target for June is 10,433. Our performance thru June (10/10-6/11) was 9,490.

The state will not contract two of these measures, Claimant Reemployment and Project RIO Served, for next year beginning October 2011. In addition, the state will implement a new participation rate measure that will focus on how well we help customers receiving TANF benefits become employed.

We continue to work closely with our contractors to improve performance on all measures.

**GULF COAST WORKFORCE DEVELOPMENT BOARD
FINANCIAL STATUS REPORT
For the Eight Months Ended August 31, 2011**

	ANNUAL BUDGET	BUDGET YEAR TO DATE	ACTUAL YEAR TO DATE	DOLLAR VARIANCE
WORKFORCE REVENUES				
WORKFORCE REVENUES	215,211,357	144,451,588	136,241,211	8,210,377
WORKFORCE EXPENDITURES				
BOARD ADMINISTRATION	4,159,613	2,773,075	2,394,289	378,786
SYSTEM IT	322,833	215,222	115,497	99,725
EMPLOYER SERVICES	7,276,996	4,851,331	4,208,479	642,852
RESIDENT SERVICES	203,451,915	136,611,960	129,522,946	7,089,014
OFFICE OPERATIONS	51,469,068	34,312,712	31,528,013	2,784,699
FINANCIAL AID	148,235,847	98,823,898	94,566,870	4,257,028
RECOVERY PROJECTS	3,747,000	3,475,350	3,428,063	47,287
TOTAL WORKFORCE EXPENDITURES	215,211,357	144,451,588	136,241,211	8,210,377

* With the exception of Recovery Act NEG OJT, all Recovery Act Projects were to be completed by June 30, 2011.

** The original Workforce Board Budget did not include approximately \$5.3 million in revenues for Texas Back to Work and for additional Trade Act funds received after the original budget was approved.

VARIANCE ANALYSIS

Note: With the exception of the Recovery Act Projects budget component, the "Budget Year to Date" column reflects a straight-line estimate of expenditures for the twelve-month period, assuming equal expenditures every month in order to fully expend the budget in a year. The Recovery Act Projects budget component is a weighted straight-line estimate. For all Recovery Act projects other than Recovery Act NEG OJT, the straight line estimate is for six months, January to June 2011, while for the Recovery Act NEG OJT the straight line estimate is for 12 months, January to December 2011.

Information Centers

As a result of funding reductions, the following Workforce Solutions offices closed on September 15:

1. Downtown
2. Galveston
3. Spring Branch
4. Winnie

To ensure that Workforce Solutions maintains a presence for customers in those areas, staff are working with several public entities to co-locate and establish Workforce Solutions Information Centers previously called “itinerant sites”.

Galveston

On September 12th, Workforce Solutions began services at the Mc-Guire Dent Recreation Center located on Galveston Island. At McGuire-Dent, Workforce Solutions staff are available to help customers look for jobs and provide resume assistance from 8:00 a.m. – 2:30 p.m. on Mondays, Tuesdays and Thursdays.

Workforce Solutions will also ensure that brochures and other informational items are placed at the Wright Cuney Recreation facility in Galveston. Workforce Solutions staff will not provide services at Wright Cuney, but will ensure that brochures and access information about Workforce Solutions and Work-In-Texas are available to customers who use the computers there.

Downtown and Spring Branch

In September, Board staff met with staff from the City of Houston Public Library to discuss the availability of space located at HPL’s Central (downtown) and Spring Branch locations.

The Central Library operates a job search lab for a couple of hours 4 days a week. We have asked to place staff at the job search lab to help customers with their job search efforts.

We also asked to place staff at the Hillendahl Branch located in Spring Branch.

HPL staff were interested in the services that we would offer and were looking at the availability of space.

Winnie

At this time, Chambers County Health Department staff are not able to provide internet access to Workforce Solutions staff. ResCare staff will meet with Chambers County next week.

TOTAL NONAGRICULTURAL EMPLOYMENT IN THE H-S-B MSA WAS UP 65,600 JOBS OVER THE PAST YEAR WITH THE RATE OF JOB GROWTH HOLDING AT 2.6 PERCENT IN AUGUST. Job growth for the H-S-B MSA continues to be better than that of the nation, see figure 3. Many private industry sectors continue to see healthy job gains, especially those with ties to oil and gas exploration. Construction, the hardest hit industry sector over the past several years, has also experienced healthy job gains over recent months. Job growth over the past year has been strongest in Mining and Logging, Construction, Manufacturing, and Professional and Business Services. Information was the only area within the private sector to experience declines over the year. The public sector continues to struggle with budget constraints and has reported over-the-year losses for the last three months. Seasonally adjusted data seen in figure 5 provides an additional view of employment removing the erratic seasonal movement. Recent seasonally adjusted data for the H-S-B MSA indicates continued job creation but at a slower pace than the last several months. The Houston Business-Cycle Index produced by the Federal Reserve Bank of Dallas indicates economic activity in the H-S-B MSA continues to trend upward. The Houston Purchasing Managers Index (PMI) remains positive but stumbled in July falling to 58.3 from 61.4 in June. Any index over 50 indicates production gains over the near term. The outlook for the H-S-B MSA remains cautiously optimistic for the rest of the year. Additional details by super sector follow beginning on page 4.

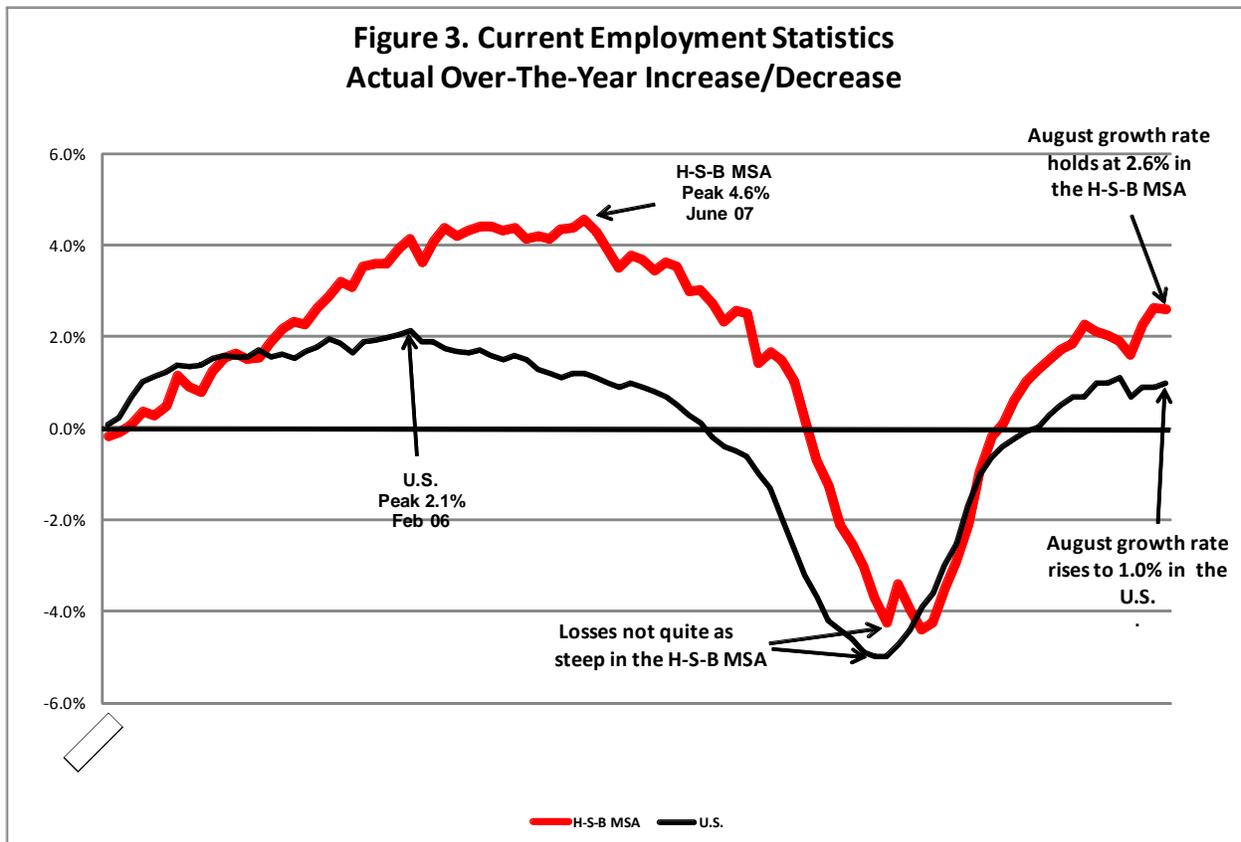


Figure 4. Total Non-farm Employment-Actual

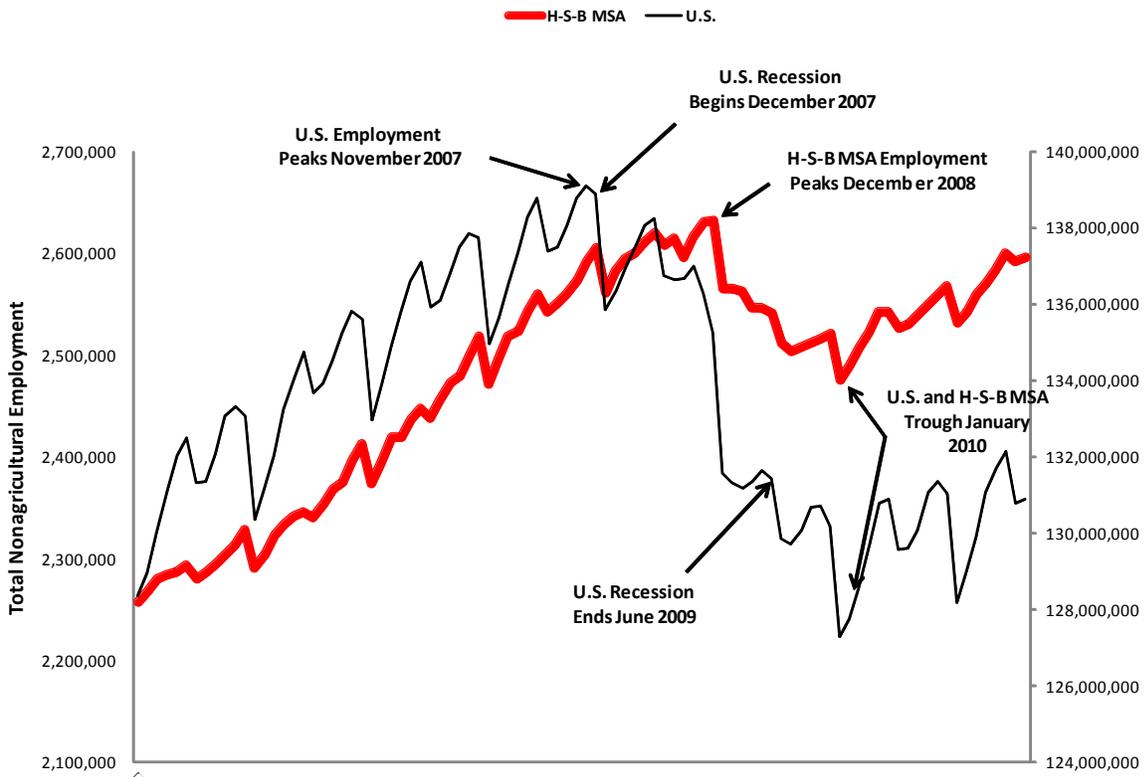
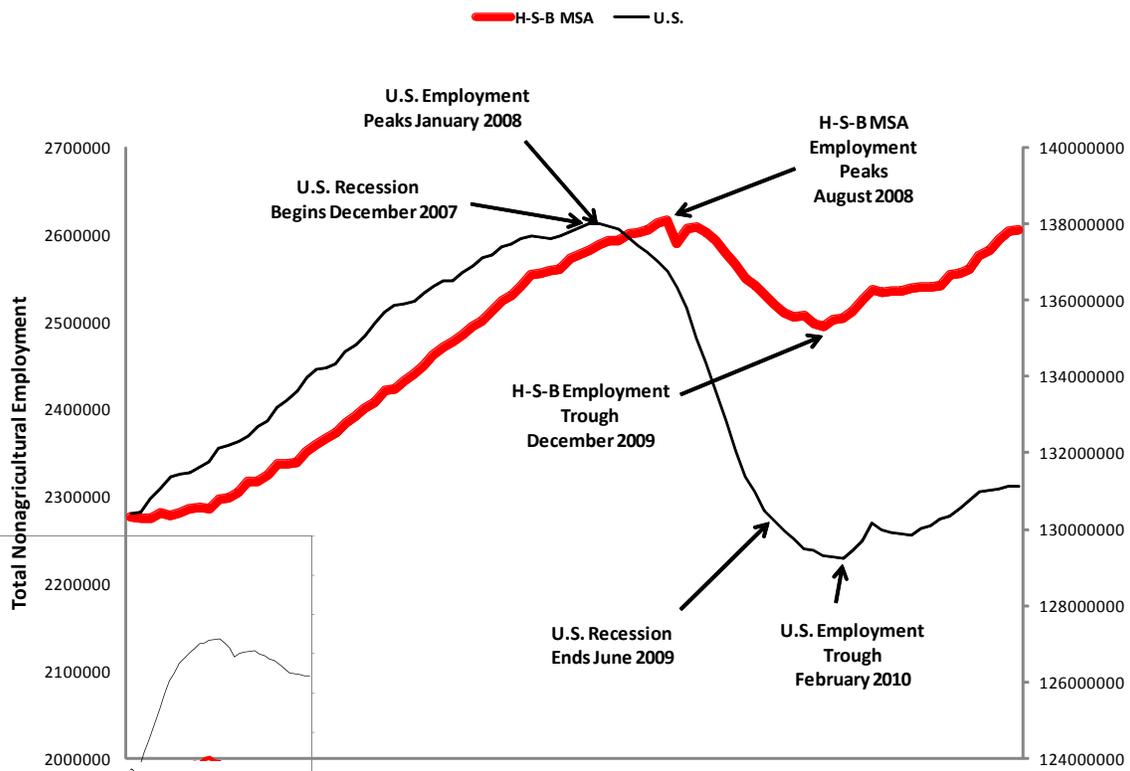
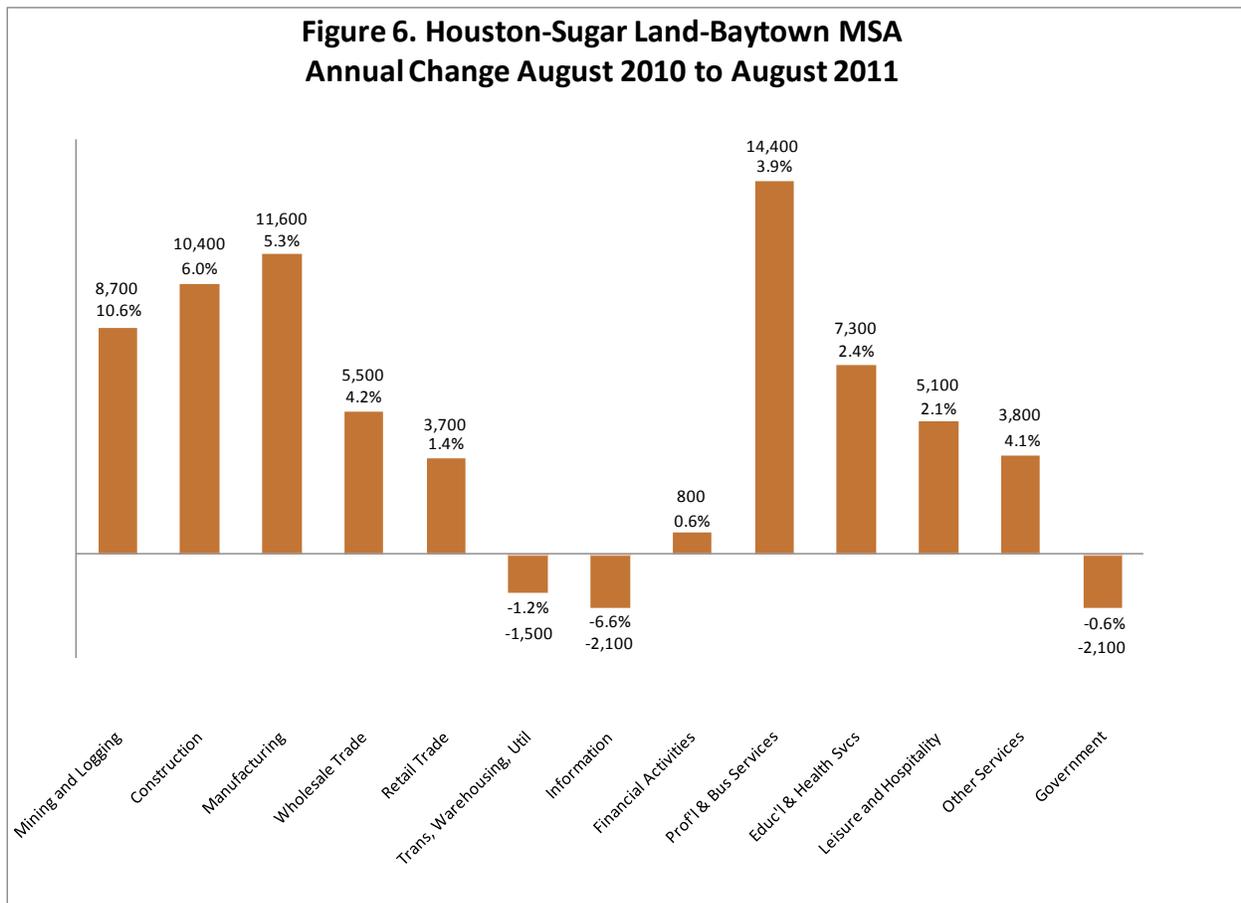


Figure 5. Total Non-farm Employment-Seasonally Adjusted



Mining and Logging continues to report strong job growth with employment up 8,700 jobs or 10.6 percent over the year in August making it the fastest growing super sector in the H-S-B MSA. Employment in Mining and Logging has recently been at their highest levels since 1984. Support Activities for Mining was responsible for half of the increase, up 4,700 jobs, 11.8 percent, over the year. Oil and Gas Extraction was up 2,700 jobs or 5.8 percent over the year. Total U.S. rig count numbered 1,975 in August; more than double that of a 6 year low of 876 back in June 2009. Increases in drilling activity for oil continue to outpace that of natural gas but at a slower pace than earlier in the year. The issuance of deepwater permits in the Gulf of Mexico continues to be slow. Oil and gas producers and oilfield services companies continue to be a major driving force of job growth in the H-S-B MSA.

Construction activity continued to increase with employers adding 2,200 jobs to payrolls in August, up 1.2 percent. The super sector has added 10,400 jobs over the year, up 6.0 percent, see figure 6. Heavy and Civil Engineering Construction reported the strongest increase over the year as a result of strong gains over the last three months, up 4,700 jobs or 12.2 percent. Construction of Buildings, which added 500 jobs in August, was up 2,900 jobs or 6.0 percent over the year. Job growth in Specialty Trade Contractors added 800 jobs in August, up 0.9 percent, and was up 2,800 jobs or 3.2 percent over the year. Construction activity remains considerably lower than its most recent peak with 25,400 fewer jobs than there were in October 2008. Single family home sales remain weak, especially in the lower priced homes. Construction activity in industrial and office markets have been improving but retail construction continues to be weak.



Manufacturing added jobs for the ninth straight month, up 700 jobs or 0.3 percent in August. The increase was shared by both Durable Goods Manufacturing, up 500 jobs or 0.3 percent, and Nondurable Goods Manufacturing, up 200 jobs or 0.3 percent. Manufacturing was up 11,600 jobs

or 5.3 percent over the year with most of the increase in Durable Goods Manufacturing. Largest gains were in Fabricated Metal Product Manufacturing, up 3,100 jobs or 6.8 percent, and Machinery Manufacturing, up 3,300 jobs or 7.7 percent. Strong drilling activity continues drive demand for mining machinery and other equipment tied to oil and gas extraction. While Computer and Electronic Product Manufacturing lost 100 jobs in August, it did post an increase of 600 jobs over the year, up 3.3 percent. Employment in Nondurable Goods Manufacturing was up 2,300 jobs or 3.0 percent from one year ago. Petrochemical producers reported that demand remains strong for most resins with the exception of PVC products due to weak construction markets. Demand for oil products slipped in July but strengthened in August. Exports have been an important market for downstream industries since the recession. The Houston Purchasing Managers Index (PMI) remains positive but stumbled in July falling to 58.3 from 61.4 in June. Any index over 50 indicates production gains over the near term.

Trade Transportation & Utilities reported a loss for the month of August for the first time on record going back to the year 2000, down 900 jobs or 0.2 percent. The loss was largely due to seasonal hiring in Retail Trade that was the weakest on record, up 400 jobs. Transportation, Warehousing, and Utilities also played a part in this month's decline reporting a loss of 1,200 jobs in August, down 1.0 percent. The super sector was up 7,700 jobs or 1.5 percent over the year. Wholesale Trade was the primary source for job growth in the super sector, up 5,500 jobs or 4.2 percent. The rate of job growth in Retail Trade, which recently peaked at 3.2 percent in April, fell for the fourth consecutive month to 1.4 percent, an increase of 3,700 jobs over the year. Overall expectations by retail establishments have been for modest improvements in 2011 over 2010 although concerns remain regarding elevated levels of unemployment. Transportation, Warehousing, and Utilities reported its first over-the-year loss in over a year, down 1,500 jobs or 1.2 percent. Despite a net loss in Transportation, Warehousing, and Utilities several areas continued to report over-the-year job growth including Air Transportation, Truck Transportation, and Utilities. Transportation service firms have, however, recently suggested that uncertainty surrounding the national economy has weakened outlooks. Airline traffic held steady over the month but travel to Asia and Europe remained weak. Intermodal cargo volumes have increased from the prior month but container volumes have declined. Railroad shipments were up slightly with strong volume growth in metallic ores, petroleum products, and non-commercial building products.

Information was the only private super sector to report an over-the-year loss in August, down 2,100 jobs or 6.6 percent. Many industries within Information have been on the decline for years due to rapid technological changes and as many move away from wired telecommunication carriers. About half of the MSA's employment in information resides in telecommunications with the remainder found in newspaper and periodical publishing, software publishing, motion picture and sound recording, and data processing hosting and related services.

Financial Activities received a big boost in August with preliminary estimates reporting an increase of 2,300 jobs over the month, up 1.7 percent. This was the largest single month increase for the super sector on record back to the year 2000. Financial Activities posted positive over-the-year job growth for the first time in three years as a result of this month's gains, up 800 jobs or 0.6 percent. While Finance and Insurance was up 1,200 jobs or 1.4 percent over the year, Real Estate and Rental and Leasing continued to report a loss, down 400 jobs or 0.8 percent. Apartment demand was strong in August with rental rates rising. Leasing activity for office and industrial space continued at a moderate pace with strong demand due in part due energy activity. Most financial firms are reporting flat loan demand with national banks concerned about the loss of momentum for self-sustaining recovery. Outlooks are less optimistic than they have been but there continues to be gradual improvement in lending conditions.

Professional and Business Services reported a gain of 2,800 jobs in August, up 0.7 percent. Most of the increase was in Administrative and Support Service, up 1,400 jobs or 0.8 percent. Professional, Scientific, and Technical Services also managed a slight increase of 200 jobs. The super sector added 14,400 jobs over the year, up 3.9 percent. Most areas within the super sector experienced increases. Employment Services reported one of the largest increases, up 2,300 jobs or 3.9 percent, where staffing firms are reporting demand held steady at high levels although several firms noted slight declines in activity. The only significant decline was in Architectural, Engineering and Related Services where firms are dealing with overall weak demand and budget cuts at NASA, down 1,300 jobs or 2.2 percent. Demand for accounting services was flat in August although some reported strength in mergers and acquisitions activity. Legal firms were reporting steady demand for intellectual property, energy, IPO, and mergers and acquisitions services.

Education and Health Services reported an increase of 4,600 jobs in August, up 1.3 percent. This was the largest one-month increase on record going back to 2000. Education and Health Services was up 7,300 jobs or 2.4 percent over the year. Most of the increase was in Ambulatory Health Care Services where services are provided directly or indirectly to patients and do not usually require inpatient services, up 6,200 jobs or 5.0 percent. Hospitals, which generally experience job growth during difficult economic times, lost 1,100 jobs over the year, down 1.5 percent. Job losses in hospitals are a combined result of a smaller number of people insured by employers, fewer elective surgeries, and changes to third-party reimbursements. Educational Services continues to report a slight increase of 400 jobs over the year, up 0.9 percent. While an aging population and a population growth rate that more than doubles that of the nation has been responsible for growth in the super sector concerns continue to mount over budget shortfalls in private education and changes across the entire health care system.

Leisure and Hospitality experienced a loss of 4,000 jobs in August. Seasonal declines which normally occur in July were delayed by employers until August. The decline was, however, considerably higher than normal and similar to those of 2009 immediately after the recession ended. Over-the-year job growth suffered as a result with employment in Leisure and Hospitality up 5,100 jobs or 2.1 percent from last August compared to an increase of 9,600 jobs or 4.0 percent in the previous month. All of the increase was in Food Services and Drinking Places, up 6,500 jobs or 3.4 percent. Other areas reported losses over the year with Arts, Entertainment, and Recreation down 1,200 jobs or 4.1 percent and Accommodation down 200 jobs or 1.0 percent.

Other Services was down 1,600 jobs in August but was reporting an increase of 3,800 jobs over the year, up 4.1 percent. Other Services includes, as a partial list, industries such as various repair services, personal care services, dry cleaning and laundry services, and religious and social advocacy organizations.

Government experienced a decline of 2,400 jobs in August, down 0.7 percent. The decline was similar to that of the last two years. Government was down 2,100 jobs or 0.6 percent over the year. Federal Government was down 2,200 jobs or 7.4 percent over the year and State Government was down 1,700 jobs or 2.4 percent over the year. State Government Educational Services was responsible for most of the decline in State Government, down 1,700 jobs or 2.4 percent. Local Government continued to report an increase of 1,800 jobs over the year, up 0.7 percent, despite an over-the-year loss in Local Government Educational Services, down 2,600 jobs or 1.5 percent. The full effects of budget cuts in education will not be known until staffing levels of those returning for the fall semester are identified over the next couple of months or possibly not until benchmark revisions are made to estimates in early 2012.

NONAGRICULTURAL EMPLOYMENT

Houston-Sugar Land-Baytown MSA	AUG 2011	Month Change		Year Change	
		Net	Percent	Net	Percent
Total Nonfarm	2,595,600	3,200	0.1%	65,600	2.6%
Total Private	2,235,100	5,600	0.3%	67,700	3.1%
Goods Producing	504,300	2,600	0.5%	30,700	6.5%
.Mining and Logging	90,700	-300	-0.3%	8,700	10.6%
...Oil and Gas Extraction	48,900	0	0.0%	2,700	5.8%
...Support Activities for Mining	38,800	-200	-0.5%	4,100	11.8%
.Construction	183,300	2,200	1.2%	10,400	6.0%
..Construction of Buildings	51,100	500	1.0%	2,900	6.0%
..Heavy and Civil Engineering Construction	43,100	900	2.1%	4,700	12.2%
..Specialty Trade Contractors	89,100	800	0.9%	2,800	3.2%
.Manufacturing	230,300	700	0.3%	11,600	5.3%
..Durable Goods	150,500	500	0.3%	9,300	6.6%
...Fabricated Metal Product Manufacturing	48,900	600	1.2%	3,100	6.8%
...Machinery Manufacturing	46,400	500	1.1%	3,300	7.7%
....Agriculture, Construction, and Mining Machinery Manufacturing	33,900	100	0.3%	2,200	6.9%
...Computer and Electronic Product Manufacturing	19,000	-100	-0.5%	600	3.3%
..Non-Durable Goods	79,800	200	0.3%	2,300	3.0%
...Petroleum and Coal Products Manufacturing	12,700	0	0.0%	200	1.6%
...Chemical Manufacturing	34,700	0	0.0%	0	0.0%
Service Providing	2,091,300	600	0.0%	34,900	1.7%
.Private Service Providing	1,730,800	3,000	0.2%	37,000	2.2%
..Trade, Transportation, and Utilities	526,600	-900	-0.2%	7,700	1.5%
...Wholesale Trade	137,800	-100	-0.1%	5,500	4.2%
....Merchant Wholesalers, Durable Goods	82,200	0	0.0%	4,100	5.2%
.....Professional and Commercial Equipment and Supplies Merchant	10,300	100	1.0%	-100	-1.0%
....Merchant Wholesalers, Nondurable Goods	37,600	-100	-0.3%	100	0.3%
...Retail Trade	266,900	400	0.2%	3,700	1.4%
....Motor Vehicle and Parts Dealers	32,700	-100	-0.3%	400	1.2%
....Building Material and Garden Equipment and Supplies Dealers	19,300	-200	-1.0%	700	3.8%
....Food and Beverage Stores	55,700	-200	-0.4%	1,000	1.8%
....Health and Personal Care Stores	16,900	-100	-0.6%	100	0.6%
....Clothing and Clothing Accessories Stores	29,600	300	1.0%	400	1.4%
....General Merchandise Stores	58,100	500	0.9%	400	0.7%
.....Department Stores	22,800	400	1.8%	0	0.0%
.....Other General Merchandise Stores	35,300	100	0.3%	400	1.1%
...Transportation, Warehousing, and Utilities	121,900	-1,200	-1.0%	-1,500	-1.2%
...Utilities	16,500	-100	-0.6%	300	1.9%
....Air Transportation	24,000	-100	-0.4%	200	0.8%
....Truck Transportation	21,400	100	0.5%	700	3.4%
....Pipeline Transportation	10,300	-100	-1.0%	0	0.0%
..Information	29,700	-200	-0.7%	-2,100	-6.6%
...Telecommunications	15,200	100	0.7%	-1,100	-6.7%
..Financial Activities	136,700	2,300	1.7%	800	0.6%
...Finance and Insurance	88,300	1,700	2.0%	1,200	1.4%
....Credit Intermediation and Related Activities	41,500	400	1.0%	-100	-0.2%
.....Depository Credit Intermediation	28,700	300	1.1%	200	0.7%
.....Securities, Commodity Contracts, and Other Financial Investment	12,900	200	1.6%	200	1.6%
....Insurance Carriers and Related Activities	28,900	300	1.0%	-300	-1.0%
...Real Estate and Rental and Leasing	48,400	600	1.3%	-400	-0.8%

NONAGRICULTURAL EMPLOYMENT

Houston-Sugar Land-Baytown MSA

	AUG 2011	Month Change		Year Change	
		Net	Percent	Net	Percent
..Professional and Business Services	380,400	2,800	0.7%	14,400	3.9%
...Professional, Scientific, and Technical Services	178,800	200	0.1%	2,200	1.2%
....Legal Services	23,100	0	0.0%	-100	-0.4%
....Accounting, Tax Preparation, Bookkeeping, and Payroll Services	16,900	-100	-0.6%	100	0.6%
....Architectural, Engineering, and Related Services	58,600	300	0.5%	-1,300	-2.2%
....Computer Systems Design and Related Services	25,800	100	0.4%	1,200	4.9%
...Administrative and Support and Waste Management and Remediation Services	183,100	2,800	1.6%	13,300	7.8%
....Administrative and Support Services	170,800	1,400	0.8%	9,200	5.7%
.....Employment Services	62,000	400	0.6%	2,300	3.9%
.....Services to Buildings and Dwellings	42,100	-100	-0.2%	1,000	2.4%
..Educational and Health Services	317,200	4,600	1.5%	7,300	2.4%
...Educational Services	42,600	700	1.7%	400	0.9%
...Health Care and Social Assistance	274,600	3,900	1.4%	6,900	2.6%
....Ambulatory Health Care Services	129,700	1,600	1.2%	6,200	5.0%
....Hospitals	71,300	100	0.1%	-1,100	-1.5%
..Leisure and Hospitality	244,200	-4,000	-1.6%	5,100	2.1%
...Arts, Entertainment, and Recreation	28,200	-1,600	-5.4%	-1,200	-4.1%
...Accommodation and Food Services	216,000	-2,400	-1.1%	6,300	3.0%
....Accommodation	20,300	-300	-1.5%	-200	-1.0%
....Food Services and Drinking Places	195,700	-2,100	-1.1%	6,500	3.4%
..Other Services	96,000	-1,600	-1.6%	3,800	4.1%
Government	360,500	-2,400	-0.7%	-2,100	-0.6%
.Federal Government	27,500	-300	-1.1%	-2,200	-7.4%
.State Government	67,800	0	0.0%	-1,700	-2.4%
..State Government Educational Services	34,800	100	0.3%	-1,000	-2.8%
.Local Government	265,200	-2,100	-0.8%	1,800	0.7%
..Local Government Educational Services	175,300	-2,900	-1.6%	-2,600	-1.5%

UNEMPLOYMENT RATE

	AUG 2011	JUL 2011	AUG 2010
H-S-B MSA	8.6	8.9	8.6
Texas (Actual)	8.5	8.7	8.3
United States (Actual)	9.1	9.3	9.5

Houston-Sugar Land-Baytown MSA: Includes Austin, Brazoria, Chambers, Ft. Bend, Galveston, Harris, Liberty, Montgomery, and San Jacinto & Waller Counties. Houston-Baytown-Sugar Land MSA CES data series are benchmarked to March 2010 levels. Estimated by the Texas Workforce Commission in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. All Data Subject To Revision.

Sources: U.S. Department of Labor, BLS, Texas Workforce Commission, Baker Hughes Incorporated, Kiley Advisors, Metrostudy, and The Federal Reserve Bank of Dallas (which covers Texas, northern Louisiana and southern New Mexico).