

Mix of startups, incoming firms keeps Austin job growth buzzing

Despite tight labor market, local employers added almost 40,000 jobs last year, revised data shows.

BUSINESSBy **Dan Zehr** - American-Statesman Staff

AMERICAN-STATESMAN STAFF

Workers carry potted trees to a truck for delivery at Native Texas Nursery in Travis County on Jan. 10, 2018. Austin-area employers expanded their payrolls by 3.3 percent in 2017, according to new data from the Texas Workforce Commission.

Posted: 5:25 p.m. Friday, March 09, 2018

Austin occupies a rare and fortunate niche in the country's high-tech labor market.

On one hand, local universities and entrepreneurs have spawned enough research and startup activity to sustain local growth. On the other, the region remains inexpensive enough – and retains a deep enough talent pool – to draw in new jobs and workers, especially from the coasts.

The result, according to a partial update of a [Brookings Institution](#) study, is a growing concentration of certain core tech jobs in Austin and Silicon Valley.

Despite tight labor markets here and in the San Francisco Bay Area, both places saw their share of national employment in four digital-services occupations continue to increase in recent years, despite the growth of those jobs in other areas not as readily considered tech centers.

In Austin, the share of the country's employment in software publishing, data processing and hosting, computer systems design and other information services rose to 1.56 percent in 2017 from 1.5 percent in 2015.

The spike in San Francisco and Oakland was even more profound, increasing almost 0.4 percentage points over the same span. The gain in the greater San Jose metro area was similar to Austin at 0.05 percentage points.

Those numbers belie the growing narrative about the "rise of the rest," which suggests tech jobs are rapidly migrating into other regions. As [Brookings' fuller study last year showed](#), such cities saw an increase in high-tech jobs from 2014 to 2016, but their growth still lagged that of the usual suspects.

"At some point here, concentration will slow or cease, but it certainly hasn't happened yet," said Mark Muro, a senior fellow at Brookings' Metropolitan Policy Program.

Eventually, he said, a growing number of high-tech business functions won't need to be in the typically high-cost tech hubs. The sheer cost of labor, real estate, congestion and other factors will at some point push against that concentration and force more activities into other places around the country.

Thanks to a comparatively low cost of living and a fairly deep talent pool, Austin already enjoys that particular attraction, as home to outpost facilities for many of Silicon Valley's household names. Apple's second-largest campus is here. The sleek, new Oracle offices have sprung up along the south shore of Lake Lady Bird.

Yet, Muro added, "there are some creative, early-stage design activities that will always remain in the absolute core spots, and the demand for that work seems almost infinite."

Driven by local universities and its existing entrepreneurial ecosystem, the Austin metro area already generates many of those "design activities" internally. But as the local cost of living increases, closing

the gap with the coast, the importance of creating more of those locally generated high-value jobs will heighten.

“Austin has to be focused on moving up the value chain, doing higher-value work while doing as much as it can to mitigate these costs – including social imbalances as one of those costs,” Muro said. “The more painful the place becomes, the more quickly it will begin losing share.”

Despite some rising headwinds, high-tech employers in the metro area continued to barrel ahead in the past year. A separate Brookings analysis found that, for all the economic divides in Austin, the area’s high growth and rising prosperity continue to be shared more broadly than in most large metros.

As for as employment, there’s no sign of a slowdown. Despite an increasingly tight labor market, rising wages and difficulty finding workers with key technical and trade skills, local employers maintained the same rate of job growth in 2017 as they had the prior year, according to [revised data released Friday by the Texas Workforce Commission](#).

After the revisions, the commission’s data show that Austin metro-area payrolls expanded by 3.3 percent last year, with employers adding about 33,800 jobs. Those gains came despite a 1.9 percent decrease in the number of public-sector jobs in the region.

The high-tech sector helped drive those gains. The metro area’s professional, scientific and technical services firms expanded job counts by 6.1 percent, an increase of more than 6,000 new jobs during the year, according to the revised data.

That momentum cooled a little bit in January, as it typically does at the start of the year, when Central Texas retailers usually pare back holiday staffing and other employers recalibrate for the new year. Local employers cut about 8,300 jobs during the month, in line with typical trends, according to preliminary workforce commission data released Friday.

Those cuts helped nudge the unemployment rate to 3.0 percent in January from 2.7 percent the prior month. However, the commission doesn’t immediately adjust its metro-level data for seasonal trends.

The seasonally adjusted unemployment rate in Austin was 3.0 percent in January, up from 2.9 percent in December, according to [calculations by the Federal Reserve Bank of Dallas](#).

The seasonally adjusted unemployment rate in Texas held steady at 4.0 percent in January. The national rate remained at 4.1 percent last month and, according to new data Friday from the [Bureau of Labor Statistics](#), held at the same point in February as well.

The ability of Austin employers to keep adding jobs at that rate with an unemployment rate that low – a full percentage point below the already slow state and national rates – runs counter to what most labor experts would expect to see.

Such tight labor markets rarely lead to negative growth, but they will weigh on rates of new job creation, said Christopher Slijk, a senior research analyst at the Dallas Fed.

“Austin is used to seeing strong rates of growth, so that’s not unusual,” Slijk said. “But with such a low level of unemployment, it is a little bit of a mystery.”

Add the tight national and statewide labor markets, and he and other local workforce experts say they wouldn’t be surprised by some moderation on continued growth.

Yet, forward-looking indicators suggest high-tech growth won’t slow in 2018, Slijk said. Venture capital investment was up in 2017, and online help-wanted listings show significant demand, especially for workers with key technical and trade skills.

“The demand is still there for the labor,” he said. “There’s not a lot to point to in the near term to suggest a slowing in Austin.”

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About the Author



DAN ZEHR Dan Zehr covers finance and the economy for the Austin American-Statesman.



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