**U.S., LOUISIANA AND NEW ORLEANS MSA MONTHLY ECONOMIC OVERVIEW**
**New Orleans Regional Council of Business Economics (www.norcbe.org)**
**March 2019**

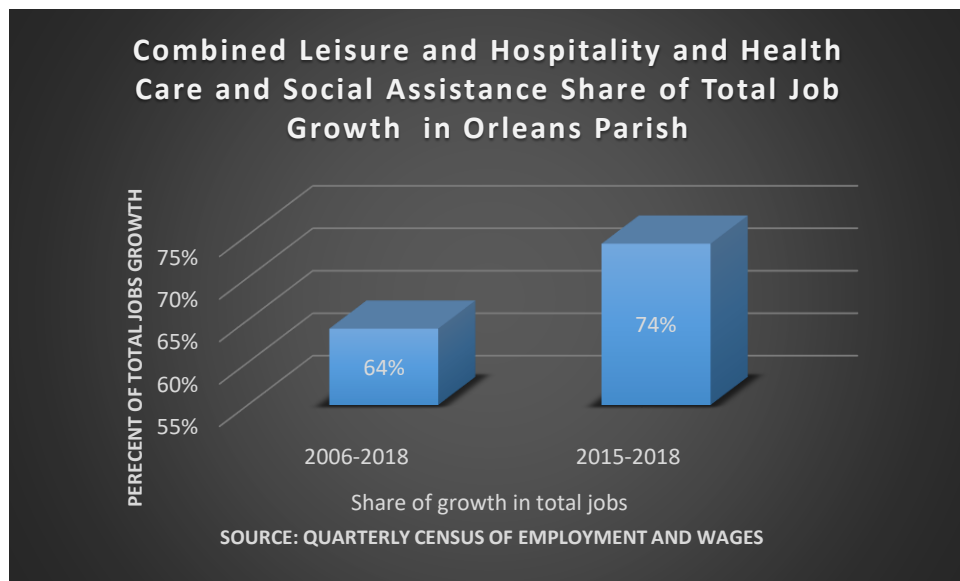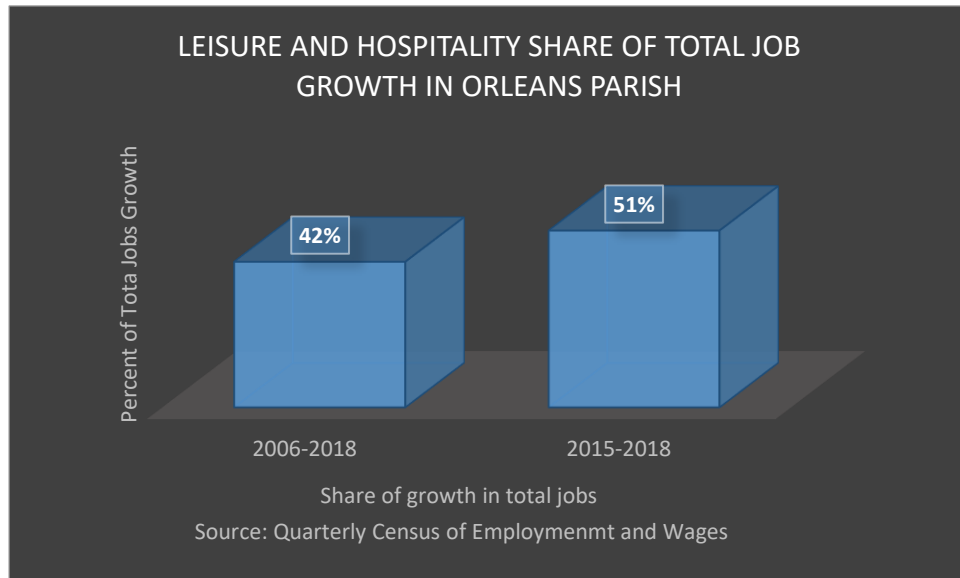**The Mystery of High-Tech Job Growth is Orleans Parish**
- Latest release (March 6, 2019) of Census of Quarterly Employment and Wages (QCEW) shows no job growth in the entire sector, NAICS 541511 Custom computer programming services.

| Orleans Parish | | | | | | |
|---|---|---|---|---|---|---|
| 3rd quarter | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| 2018 | qtrly_estabs_count | | 3rd quarter average jobs | | avg_wkly_wage | |
| NAICS 5112 Software publishers | 41 | 47 | 118 | 119 | $1,472 | $1,551 |
| NAICS 5121 Motion picture and video industries | 72 | 73 | 1,999 | 2,140 | $849 | $1,077 |
| NAICS 5415 Computer systems design and related services | 354 | 359 | 2,036 | 1,856 | $1,534 | $1,604 |
| NAICS 541511 Custom computer programming services | 190 | 193 | 940 | 920 | $1,594 | $1,655 |
| NAICS 541512 Computer systems design services | 105 | 107 | 854 | 618 | $1,508 | $1,580 |
| NAICS 541513 Computer facilities management services | 18 | 19 | 80 | 189 | $1,687 | $1,638 |
| NAICS 5417 Scientific research and development services | 2 | 2 | NA | NA | NA | NA |
| NAICS 54171 Research and development in the physical, engineering, and life sciences | 15 | 17 | NA | NA | NA | NA |
| Totals | 797 | 817 | 6,027 | 5,842 | $1,081 | $1,138 |

- Current Employment Survey (CES) at MSA level for Professional, Scientific and Technical Services shows a 600 job decline between 3rd quarter 2017 and the 3rd quarter of 2018. Quarterly Census of Employment and Wages data from administrative records shows only 20 job decline.
- Probably, DXC job growth probably prevented an even greater decline in the NAICS 541511 sector. Most concerning is that NAICS 5415 lost 180 jobs.
- Overall, job growth declined in select sectors by 185 jobs.

**WHERE IS JOB GROWTH OCCURRING IN ORLEANS PARISH? A FOCUS ON THE LEISURE AND HOSPITALITY INDUSTRY**
- Parish economy is increasingly lopsided
    - Let's look at some facts.
    - **Between 2015 and 2018, 51% of the parish job growth was in Leisure and Hospitality.**
    - **Add Health Care and Social Assistance to that job growth change and 74% of the jobs added were in those two sectors.**
    - From a job opportunity perspective, the opportunities are limited most to these broad sectors.

## LEISURE AND HOSPITALITY SHARE OF TOTAL JOB GROWTH IN ORLEANS PARISH

**Percent of Tota Jobs Growth**

42%  —  2006-2018

51%  —  2015-2018

Share of growth in total jobs
Source: Quarterly Census of Employmenmt and Wages

## Combined Leisure and Hospitality and Health Care and Social Assistance Share of Total Job Growth in Orleans Parish

**PERCENT OF TOTAL JOBS GROWTH**

75%
70%
65%
60%
55%

64%  —  2006-2018

74%  —  2015-2018

Share of growth in total jobs
SOURCE: QUARTERLY CENSUS OF EMPLOYMENT AND WAGES

**WHAT IS THE IMPACT OF THE CONCENTRATION OF JOB GROWTH IN LEISURE AND HOSPITALITY HAVING ON THE CALCULATED AVERAGE PAY IN ORLEANS PARISH?**
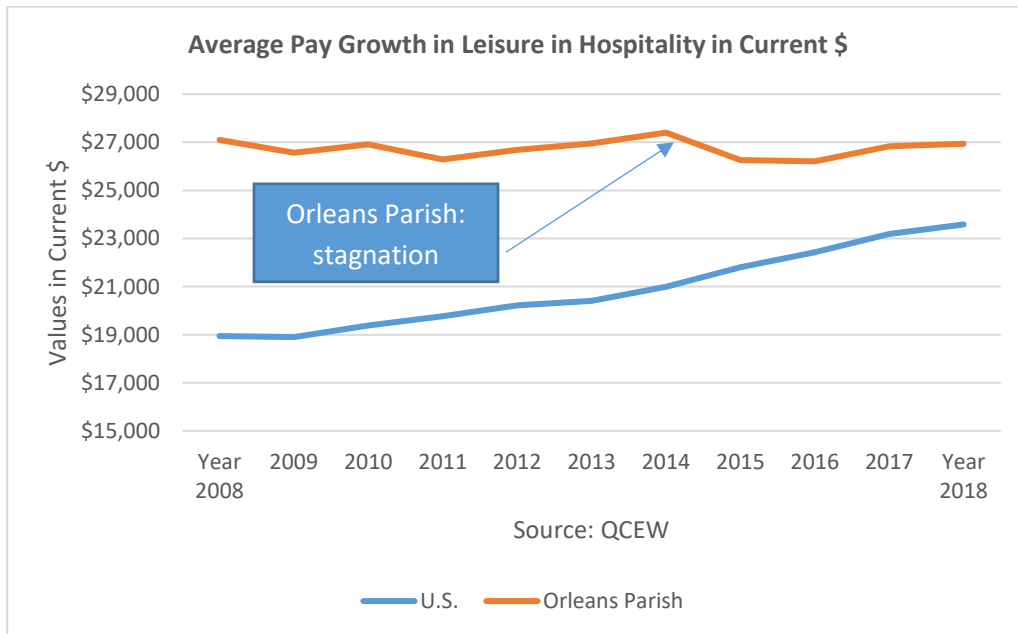
- **Some background on averages**
    - Remember, an average merely reflects the distribution of data within the average.
    - Therefore, if the predominance of industries that are growing pay less than the current average, a recalculation of the current average will lower the growth in the average or pull the average down or both.
    - The data presented from the source, Quarterly Census of Employment and Wages, contains all reported tips, benefits and wages.

Let's focus on the Accommodations sector since it pays one of the highest average pay of the sectors within Leisure and Hospitality.
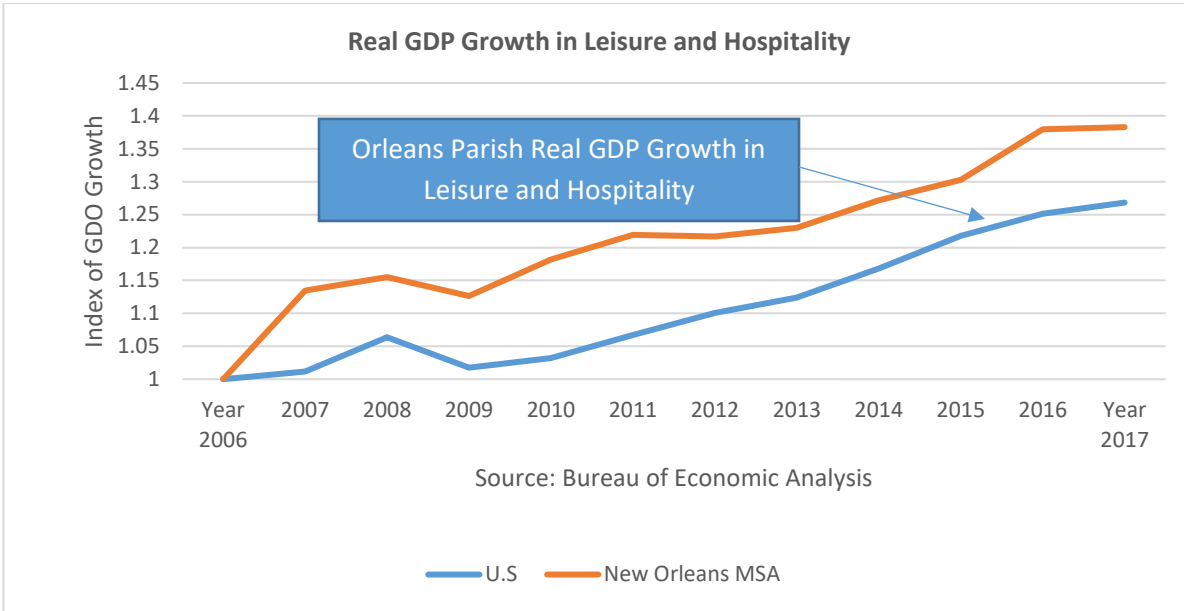
- In Orleans Parish and in 2018, average pay in Accommodations was $ 35,152. Average pay in Leisure and Hospitality was $26,926. The average for all industries in Orleans Parish was an estimated $51,200.
- The problem, as the below graph shows, is that average pay in Accommodation has begun to stagnate.  Looks like the post-Katrina bump has passed.
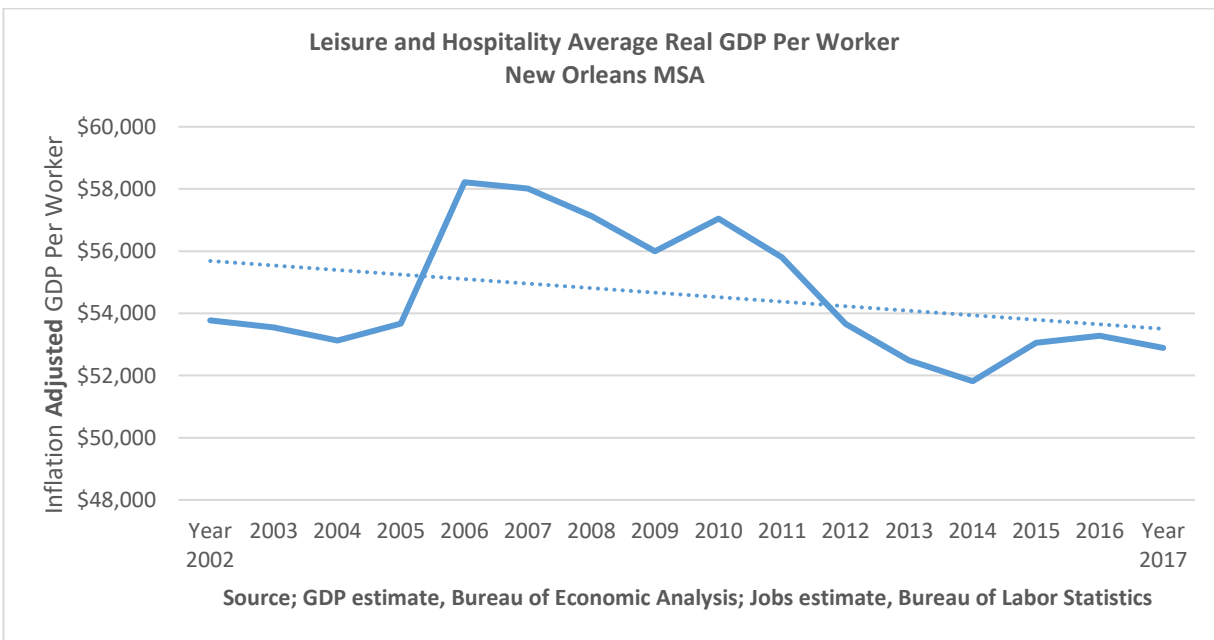
**Average Pay in Accomodations in Orleans Parish**

**Source: Quarterly Census of Employment and Wages**

- While there was some growth in average pay in the Accommodations sector of Leisure and Hospitality , average pay in the overall sector of Leisure and Hospitality in New Orleans has stagnated relative to the U.S.
    - Why?

**Average Pay Growth in Leisure in Hospitality in Current $**

Orleans Parish: stagnation

Source: QCEW

U.S. ——— Orleans Parish

- **Has average pay in Leisure and Hospitality stagnated due to the lack of inflation adjusted growth in the GDP of the sector?**

  - Apparently not... GDP growth for Orleans Parish on the average looks good.

**Real GDP Growth in Leisure and Hospitality**

Orleans Parish Real GDP Growth in Leisure and Hospitality

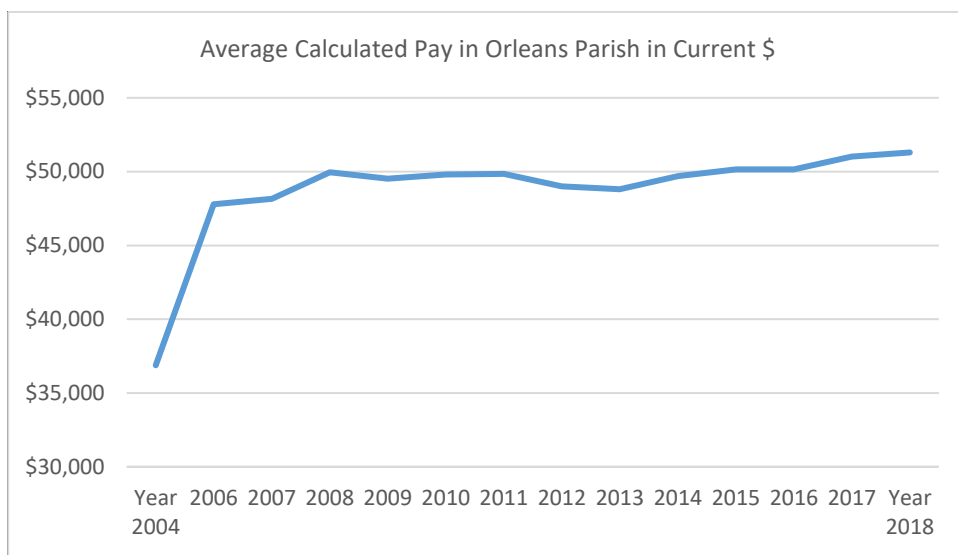Source: Bureau of Economic Analysis

— U.S — New Orleans MSA

- **What might be one of the underlying cause for wage stagnation in the Leisure and Hospitality industry in Orleans Parish?**
- **It appears from the data that it is productivity growth per worker.**
    - **Is low productivity per worker the "new normal" for Leisure and Hospitality?**
    - **What are the workforce implications in a city with a high cost of living?**

**Leisure and Hospitality Average Real GDP Per Worker**
**New Orleans MSA**

**Source; GDP estimate, Bureau of Economic Analysis; Jobs estimate, Bureau of Labor Statistics**

**Leisure and Hospitality GDP Per Worker in constant 2009 $**



Source: GDP Data, Bureau of Economic Analysis;
CES jobs, Bureau of Labor Statistics

- Low average pay, in an industry that plays an increasingly important role in the economy, translates into having an impact on the reported average pay for the city.
    - The overall city average has been stagnating for years
    - And the $'s are in current values. Think what they would look like if inflation adjusted?

|  | New Orleans |
|---|---|
| Year 2004 | $36,877 |
| 2006 | $47,796 |
| 2007 | $48,163 |
| 2008 | $49,948 |
| 2009 | $49,514 |
| 2010 | $49,804 |
| 2011 | $49,844 |
| 2012 | $49,006 |
| 2013 | $48,810 |
| 2014 | $49,689 |
| 2015 | $50,157 |
| 2016 | $50,150 |
| 2017 | $51,018 |
| Year 2018 | $51,298 |

Average Calculated Pay in Orleans Parish in Current $

Some final thoughts:
- Are segments of the Leisure and Hospitality industry becoming employment saturated?
  - What are the implications of that question?
  - Historically, growing the market has been the "mantra."
    - Does Leisure ad Hospitality in New Orleans depend on cheap labor?
      - What are the implications in a city that has high housing costs, and of which much of the new housing (it appears at least) is constructed for high end tourist?
  - Maybe this needs fine tuning
- Understanding that New Orleans has become less and less a diversified market, with greater vulnerability in market stability.
- **WHAT ARE SOME OF THE CHALLENGES FACING THE LEISURE AND HOSPITALITY INDUSTRY IN GENERAL?**
- Quotes from the Article "Trends to Watch in n Hospitality in 2019," Hotel Business (January 2019)
  - **Challenges to Finding Labor for Hospitality Services**
    - "We have a plethora of mandates that demand previous 'lifestyle' and 'opening' experience. The fact is, there are not enough experienced people to fill all these roles, what happens? Companies take risks on under-qualified people, who get in over their heads. Look at the turnover rates."
  - **Use of Artificial Intelligence and Machine Learning Science in the Hotel Hiring and Experience Offerings**
    - "Artificial Intelligence and machine learning is still so new; we have not yet even entered into the first inning."
  - **Revenue Management Skills**
    - Within the hotel industry, the lines of sales, marketing and revenue management will continue to blur and hotel organizations will move to a model where such functions merge together under a single point of leadership. What is the implication here for high end jobs in this industry?
  - **Experiences and Technology**
    - "In the future, guests will not be satisfied with merely giving them what they ask for or request; they're going to expect that you can predict and anticipate their needs before they articulate them,"

- Amazon has algorithms that can predict the items you're likely to order and where you're likely to be, and it sends it to the fulfillment center closest to your predicted location. That item entered the supply chain even before you knew you wanted it… It's the whole point of a learning algorithm—to anticipate customers' needs.
    - How far behind is the Leisure and Hospitality industry in New Orleans on this potential change?

- Finally, hospitality needs to think about how this all changes the way it interacts with the world—and the Internet of Things (IoT) is a huge factor.
    - A quote from the cited article: "What I believe will happen is IoT, this vast network of connected devices, will be weaponized by behavioral economics,"
    - ALREADY HAPPENING. Goggle, Facebook, using IoT.

- **All of the above is interesting and challenging…. But**

**THE BOTTOM LINE IS HOW DOES THIS INDUSTRY INCREASE EFFICIENCY AND PRODUCTIVITY, AND AT THE SAME TIME, RAISE THE REAL WAGES OF THE WORKFORCE.**
- This is the point of debate for New Orleans and the industry.
- Is it being done?
- Because Leisure and Hospitality has become the center of job growth in New Orleans, has the industry become a social employer?
- The impact of machine learning and AI algorithm on the high skill occupations in the industry is unclear.