



THE STATE OF WORKING TEXAS 2009

Although Texas was late to feel the effects of the national recession, economic indicators including the unemployment rate, underemployment, home foreclosure rates, and declining wages demonstrate that Texas is feeling the full impact of the economic downturn. For example, unemployment numbers released today show that our unemployment rate has climbed to 8.2 percent, with 44,700 Texas jobs lost in September. In addition, underemployment, household poverty, and labor force participation are headed in the wrong direction. *The State of Working Texas 2009* summarizes the employment situation in Texas and analyzes various indicators to highlight economic conditions for Texas workers.

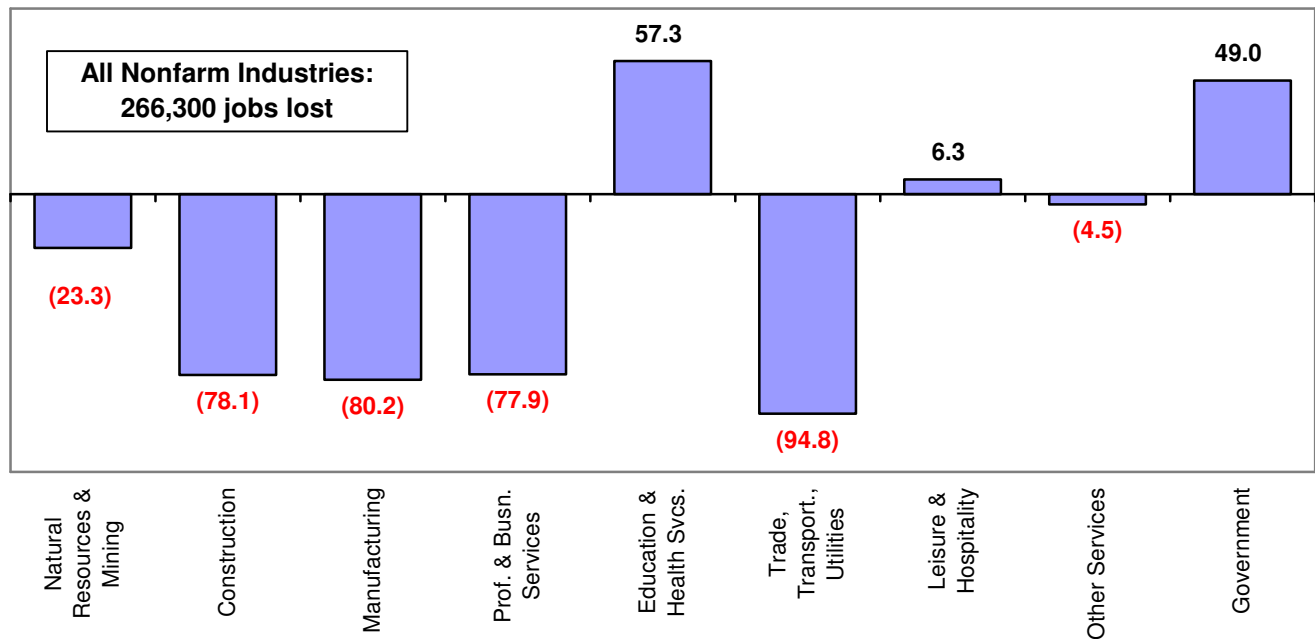
Texas Industries & Employment

Between June 2008 and June 2009, Texas' non-farm industries shed jobs at a rate of 2.5 percent or 266,300 total jobs. While Texas has a lower rate of job loss compared to other states, it had the 6th highest total

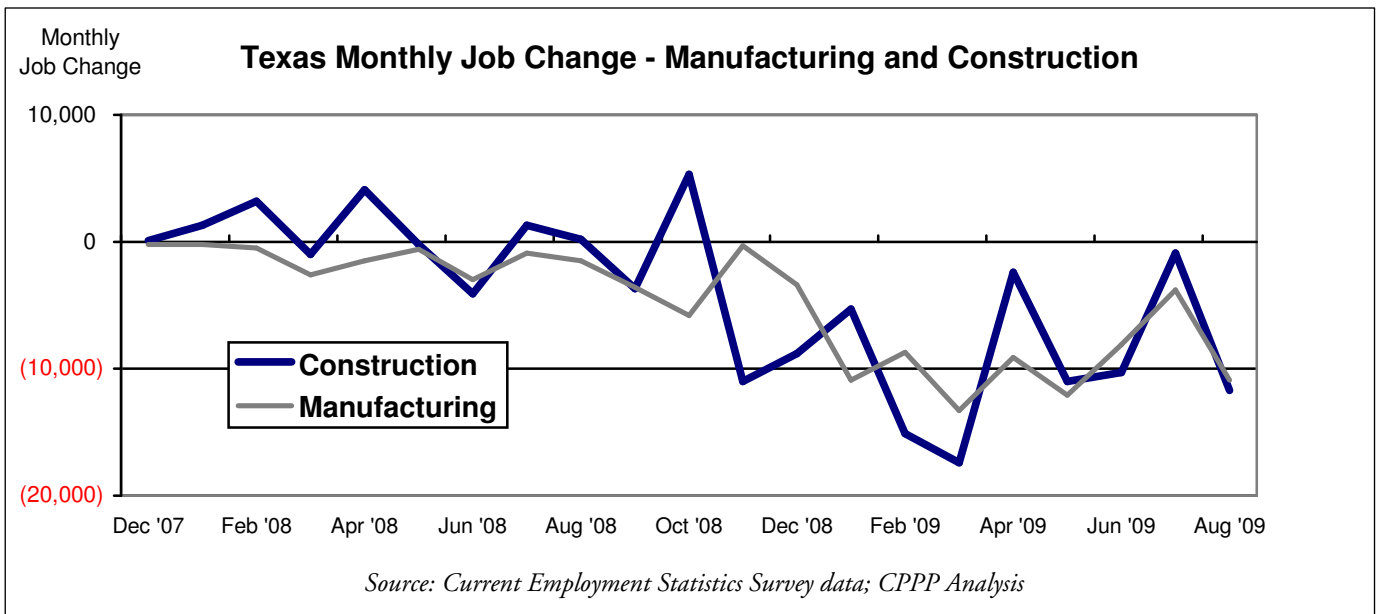
number of jobs lost during this time period, trailing only California, Florida, Michigan, Ohio, and Illinois. The states with the highest rate of job losses included Michigan, Arizona, Nevada, Oregon, and Georgia; Michigan fared worst with a loss of 8.1 percent of its jobs.

Texas Change in Jobs by Industry, June 2008 to June 2009

Thousands of Jobs



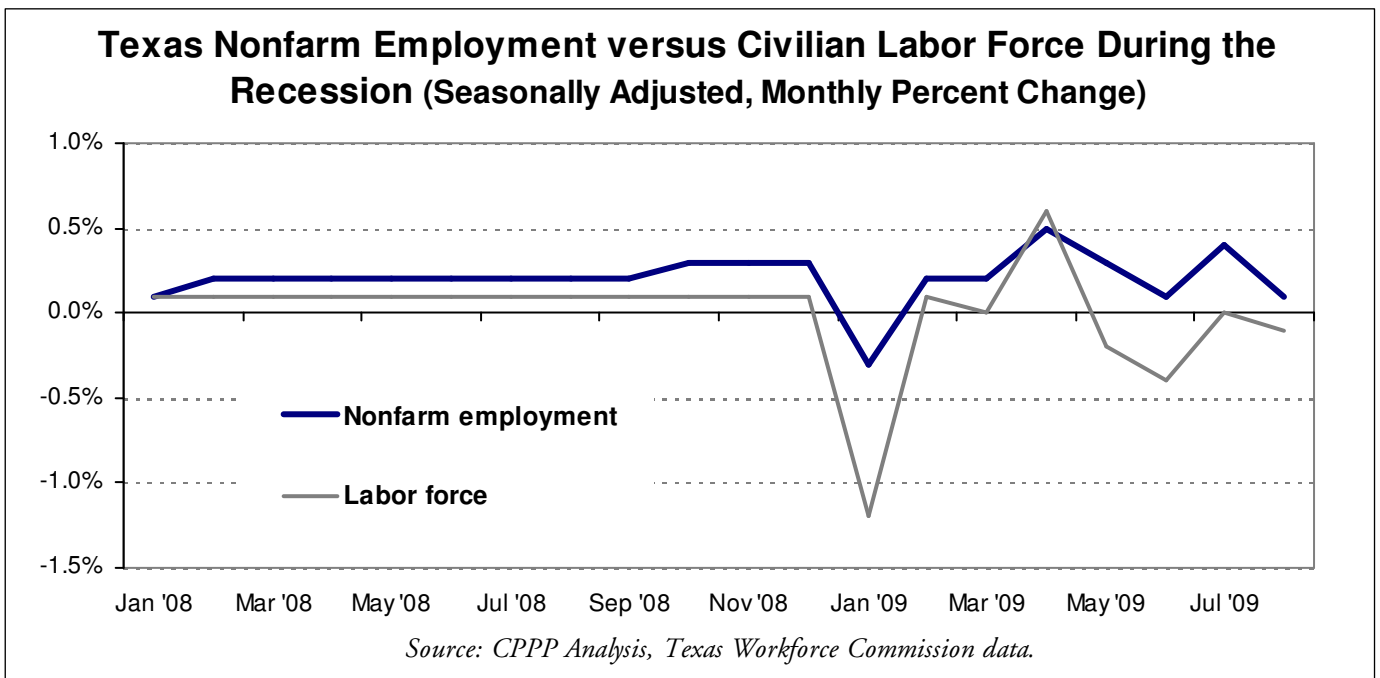
Source: Economic Policy Institute Analysis of Current Employment Statistics Survey data; CPPP Analysis



From June 2008 to June 2009, the Texas construction industry suffered the worst blow, losing 11.6 percent of its jobs, or a total of 78,100 jobs. Other industries hit hard in the past year include natural resources and mining (10.2 percent job loss) and manufacturing (8.7 percent loss). Education and health services added 57,300 jobs for a 4.5 percent increase overall, the highest for all industries. Other sectors showing job growth were government (primarily schools) and the leisure/hospitality industries, with a 2.7 percent and 0.6 percent increase, respectively.

Nationally, retail trade has seen a drop of 3.9 percent in employment, while Texas retail jobs have shrunk by 1.7 percent. Despite its lower job loss rate in this industry, Texas has lost over 20,000 retail jobs in the last year, placing Texas 8th for the highest total retail job loss.

In Texas, manufacturing began seeing slight declines at the beginning of the national recession (December 2007) and experienced steeper declines from January to August of 2009. Overall, the industry has seen a 10.8 percent drop in Texas, or 100,800 jobs lost since the recession began.



While 31 states had steeper rates of job losses in manufacturing, only Michigan, California, Ohio, and Indiana had more total manufacturing jobs lost than Texas from December 2007 to August 2009.

The Texas construction industry began to lose jobs much later than the U.S. Nationally, construction began experiencing steady declines in December 2007, but Texas did not see continued declines until November 2008 when construction lost 11,000 jobs. Overall, the Texas construction workforce has shrunk by over 13 percent, with 87,500 jobs lost since December 2007. Only Florida and California have lost more construction jobs in total during the recession.

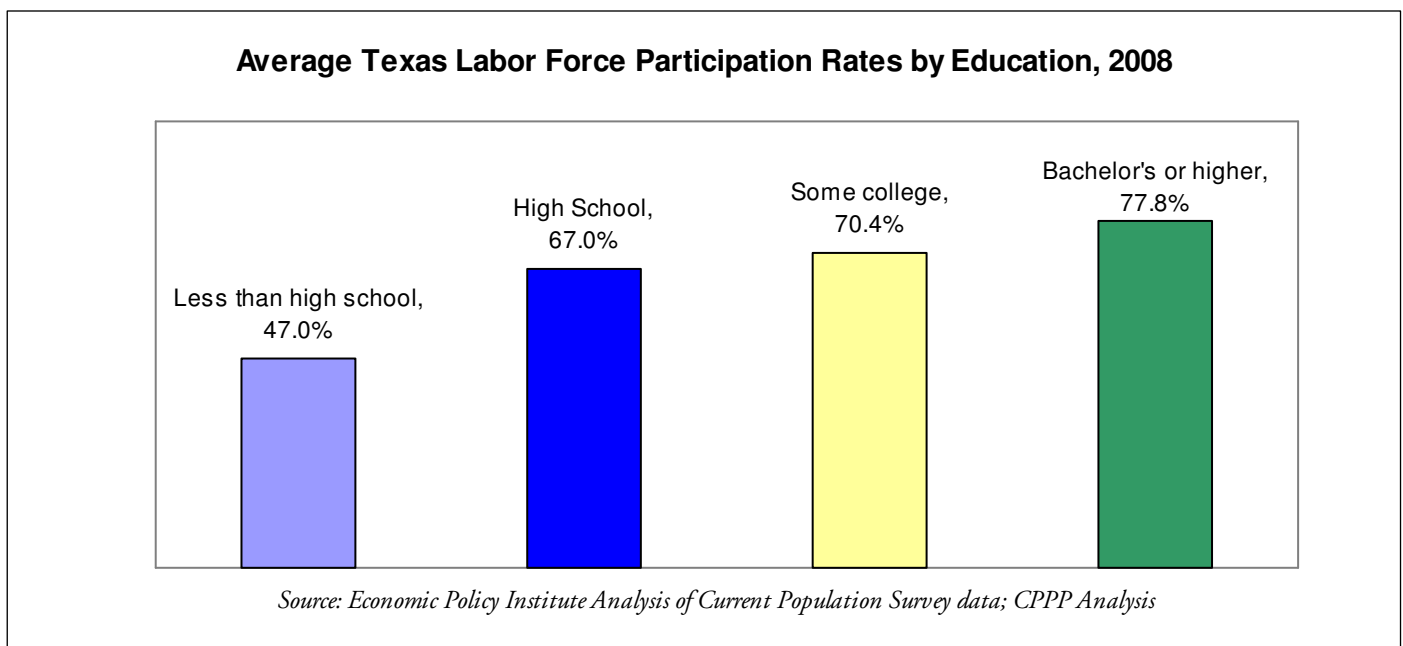
Texas Labor Force Participation Slips

The Texas workforce, characterized as diverse and growing, maintained this distinction in 2008 with an overall annual growth in the working-age population of 2.5 percent. In August 2009, this figure rose to 3.3 percent. This translates to an increase of more than 538,800 workers in the labor force since the recession began, bringing the total size of the Texas labor force to more than 12 million workers.

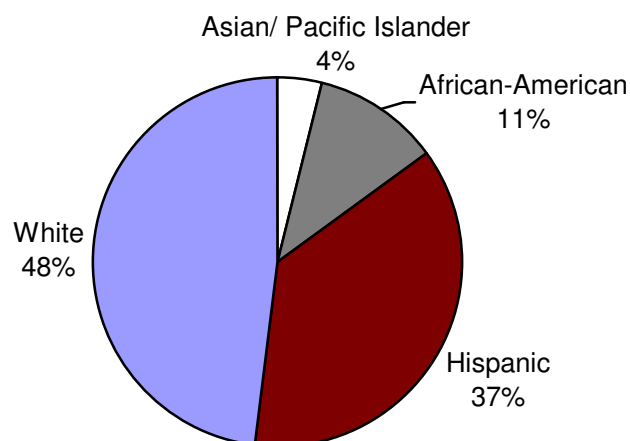
The large increase in the working-age population, coupled with the economic downturn, has resulted in fewer Texans participating in the labor force. While some volatility in the size of the labor force has occurred in 2009, the overall growth rate has remained steady compared to the same period in 2008. The labor force declined 1.2 percent between December 2008 and January 2009, but regained strength in February.

Although the labor force grew overall, the rate of participation has dropped slightly during the recession. Prior to 2007, Texas had a slightly higher labor force participation rate than the national average. This figure dropped below the national average in 2007—from 66.8 percent in 2006 to 65.6 percent in 2008—whereas the national rate remained steady at around 66 percent.

The decline in labor force participation in Texas implies that many workers may be leaving the labor force due to a lack of employment opportunities during the recession.¹ Overall, Texas might have experienced higher unemployment rates had more workers remained in the labor force during the recession.



Texas Share of Labor Force by Ethnicity, 2008



Source: Economic Policy Institute Analysis of Current Population Survey data; CPPP Analysis

Demographics of the Texas Workforce

Educational Attainment: From 2007 to 2008, participation in the Texas labor force increased for those with a college degree by 0.9 percent. Those with only high school degree had the greatest gains of 2.1 percent in workforce participation. Texans with less than a high school education were hit with a 4.1 percent decline in their overall labor force participation.

Gender: From 2007 to 2008, female participation in the labor force remained steady at 56.8 percent. This is still a much lower rate than that for men despite a slight decline in male labor force participation, which fell to 74.9 percent.

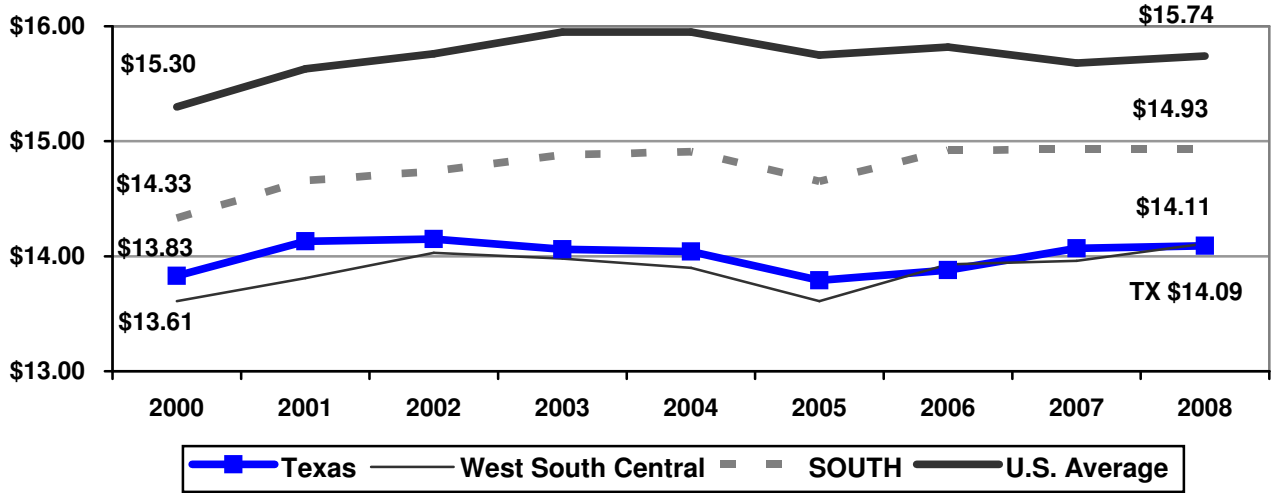
Race/Ethnicity: The racial and ethnic composition of the labor force remained fairly steady for all groups during 2008. Whites continue to make up the largest share of the labor force with 48 percent, while Hispanics are 37 percent of the labor force. For all age groups, Texas transitioned to a “majority-minority” state in 2007.

Age: Texas did not see major changes in the rate of labor force participation among age groups between 2007 and 2008. Growth in labor force participation among those 55 and older increased substantially across the U.S.

However, Texas’ elderly labor force participation growth has been much slower since 1979, with a growth rate of just 4.4 percent compared to 16.9 percent nationally. The younger cohort of 16- to 24-year-olds declined in work participation since 1979, with Texas seeing a 20.9 percent decrease.

This trend may be due to the increasing number of Texans attaining higher levels of education as the share of Texas workers with a college degree increased 41.3 percent since 1979. During the recent recession, 16- to 24-year-olds and those 55 and older saw slight declines in labor force participation, while 25- to 54-year-olds experienced a slight increase.

Median Hourly Wages, Texas and U.S./Regional Comparison (2008 Dollars)



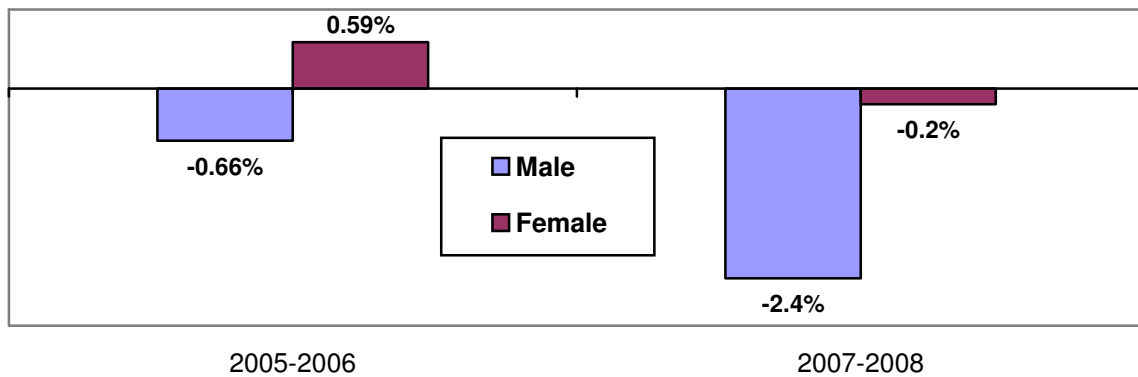
Source: Economic Policy Institute Analysis of Current Population Survey data; CPPP Analysis. “West South Central” is AR, LA, OK, TX. “South” adds DE, MD, D.C., VA, WV, NC, SC, GA, FL, KY, TN, AL, MS.

Texas Wages in Decline

Median Wages: The real value of median wages across the country has increased slightly by an average of 2 to 4 percent since 2000. Texas has a lower median wage level compared both to the U.S. average and the U.S. southern region, with Texans paid 10.5 percent less than the national average and 5.6 percent less than the southern region average. The Texas hourly median wage was \$14.09 in 2008, \$1.65 lower than the national average of \$15.74.

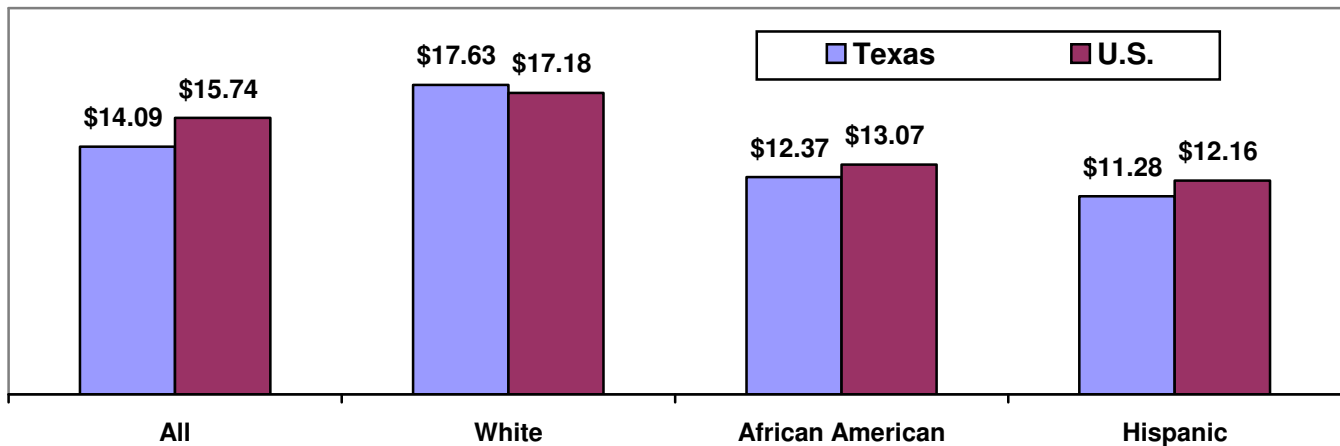
Male Wages Continue to Plummet: Texas men and women earn less than their counterparts nationally. Although females in Texas only earn 84 cents for every dollar earned by a male, this figure is up from 80 cents in 2000. As the gender gap narrows nationally and in the state, Texas men are losing wages faster than women. In the most recent cycle, women lost 0.2 percent in wages compared to 2.4 percent for men. These changes are much greater than the previous two-year cycle when the wage gap narrowed considerably with women gaining while men’s wages fell.

Change in Median Wages by Gender in Texas



Source: Economic Policy Institute Analysis of Current Population Survey data; CPPP Analysis

Texas vs. U.S. 50th Percentile Median Wages by Ethnicity, 2008



Source: Economic Policy Institute Analysis of Current Population Survey data; CPPP Analysis

Race/Ethnicity: With the exception of Whites, wages for all racial groups in Texas are slightly lower than the national average.

Within Texas, median wages for Hispanics trail those of both Blacks and Whites. Median wages for Hispanics and Blacks are below the state average median wage.

Wage Disparities within Demographic Groups: Wage disparities between income groups and by education level are growing nationally and statewide. Within the lowest and top percentiles, the wage disparity ratio is 60 percent between those with a high school and college education. While wage disparities within educational groups are smaller than those between socioeconomic groups, the ratio is still high with a 30 percent gap between workers with a high school degree and those with a college degree.

Working but Poor in Texas

Texas' poverty rate is the eighth-worst in the country, with 15.8 percent, or more than 3.7 million, Texans living in poverty in 2008 compared to a national average of 13.2 percent. Although Texas' poverty rate is still among the worst in the nation, it improved since 2007 (16.3 percent).

Between 2007 and 2008, the rate of those living below 200 percent of the federal poverty level rose 2.5 percentage points to 38.8 percent or nearly 8.7 million Texans. Despite last year's improvement in the poverty rate, the ranks of Texans living in poverty have likely swelled dramatically given Texas' current economic conditions.

Income Level

The median income for Texas working-age households (those headed by someone under 65) increased from \$49,374 in 2007 to \$50,043 in 2008, just now returning to the 2002 level after adjusting for inflation. U.S. median income was \$52,029, a decline in real dollars from 2007.

Number of Texans at Different Low-Income Levels, 2008					
	100% of Poverty	125% of Poverty	150% of Poverty	185% of Poverty	200% of Poverty
Maximum Annual Income, Family of Three	\$17,600	\$22,000	\$26,400	\$32,560	\$35,200
Total Texans below this Income Level	3.760 million	5.049 million	6.314 million	8.001 million	8.656 million
Share of Texans below this Income Level	15.8%	21.3%	26.6%	33.7%	36.5%

Source: U.S. Census Bureau, American Community Survey 2008.

Although certain groups experienced increases in their incomes, families with children saw declines between 2007 and 2008, maintaining the state's standing below the national average. Texas median family income fell 7.26 percent below the national average for an annual income of \$58,765, a difference of \$4,601 annually.

How Many Texans Work But Remain Poor?

Most poor families in Texas are working families. Of the 606,400 families with children below poverty in 2007, 58 percent—353,485—were headed by a worker.

A family is considered “working” if all family members age 15 and over meet the following criteria:

- they have a combined work effort of 39 weeks or more in the prior 12 months, or
- they have a combined work effort of 26 to 39 weeks in the prior 12 months, and one currently unemployed parent looked for work in the prior 4 weeks.

Approximately 1.65 million people in Texas, including 908,165 children, live in these working-poor families.

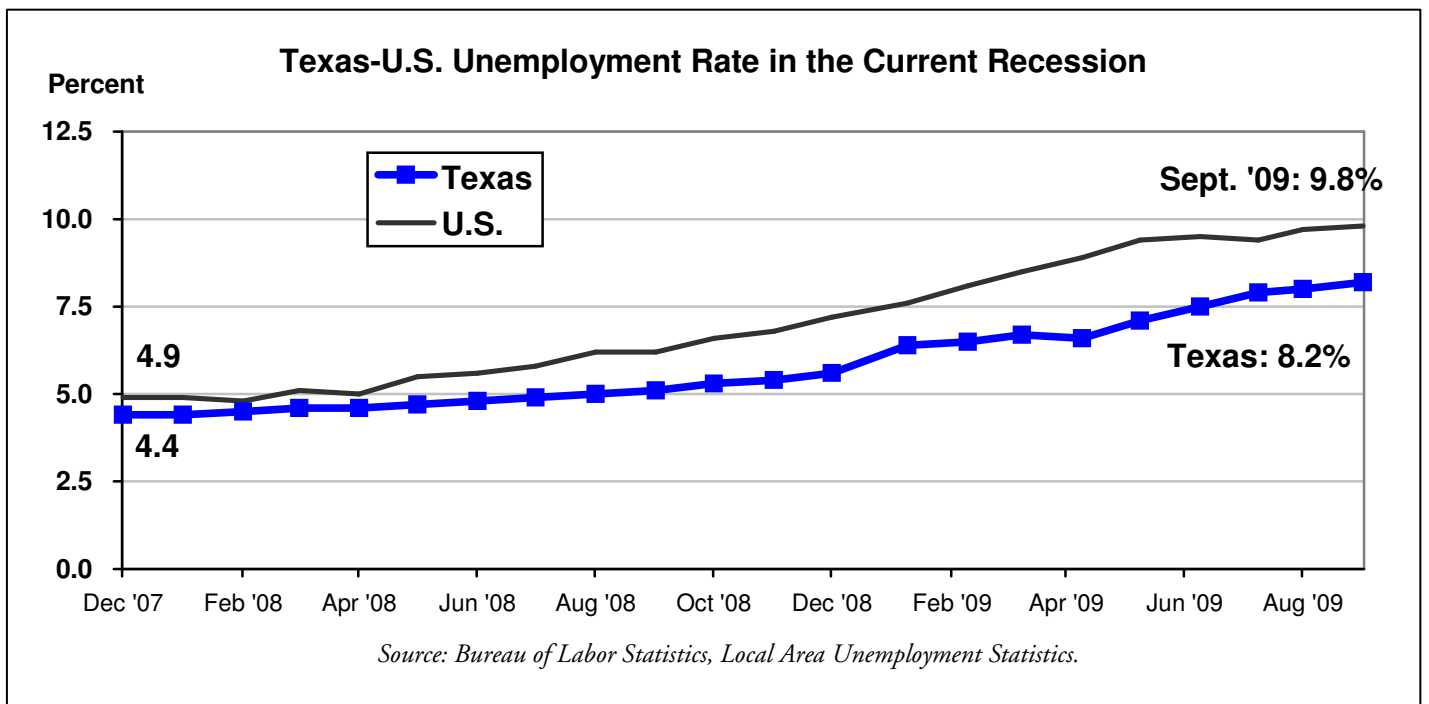
In the larger universe of Texas families with incomes below 200 percent of the poverty line, work participation is even higher. Of 1.4 million poor and “near poor” Texas families with children, 77 percent—or 1 million—are working. These families include almost 4.8 million Texans, 2.4 million of whom are children.

Low wages in many of the state economy's growth sectors contribute to Texas' large working but low-income population, as do limited public assistance benefits. Compared to the U.S. average, Texas workers are slightly more likely to have low-wage jobs. Furthermore, Texas workers rank near the bottom in terms of access to job-sponsored health insurance, pensions, workers' compensation coverage, and unemployment benefits.

What are Texas workers facing during the recession?

Unemployment

With a growing labor force, Texas faces great challenges battling both unemployment and underemployment during the recession. Texas workers have gradually felt the effects of the economic downturn as unemployment rose 3.6 percentage points from a rate of 4.4 percent in December 2007 to 8.2 percent in September 2009. Although Texas' rate is below the national average of 9.8 percent, the rate translates to more than 985,000 people who are out of work and looking for work.



Educational Attainment and Unemployment: National data suggest that rising unemployment affected all groups, regardless of educational attainment or occupation. Blue-collar, white-collar, and service industry sectors, as well as high school and college-educated workers, have all experienced more than a 100-percent increase in the number of unemployed during the recession.

College-educated groups' relatively low 4.7-percent unemployment rate is the highest level on record.² Blue-collar and service industry occupations reached 14.0 and 11.3 percent unemployment, respectively.³

Race/Ethnicity and Unemployment: With the exception of Hispanics and males, all demographic groups experienced similar increases in job loss. As of the second quarter of 2009, unemployment for males had increased from 4.1 percent to 7.5 percent since the recession began. The female rate rose at about half the pace, signaling a 37.5-percent increase in the number of unemployed women.⁴

The number of unemployed Hispanics increased 76 percent from pre-recession unemployment levels, while unemployment among Blacks and Whites rose by 45 percent and 51 percent, respectively.⁵

Overall, both Blacks and Hispanics have higher unemployment rates than Whites, with the Hispanic rate at 8.1 percent and Blacks with a rate of 11.8 percent, both of which exceed the rate for U.S. Whites (5.3 percent).⁶

Despite having a more moderate increase in job loss than Hispanics, Blacks are faring worse during the economic downturn than all other groups due to already high unemployment at the start of the recession (8.1 percent), thus resulting in a higher fraction of the Black working population unemployed as compared to Hispanics and Whites.

Unemployment is expected to rise for all racial and ethnic groups by the second quarter of 2010 to 6.1 percent for Whites; 9.4 percent for Hispanics; and 13.6 percent for Blacks.⁷ U.S. unemployment is projected to peak at 10.1 percent or higher in the second quarter of 2010, while Texas is expected to reach 8.2 percent.

For a detailed report on Texas unemployment, see "Labor Day Update: Texas Unemployment Insurance System." www.cppp.org/files/3/419r_Labor_Day.pdf.

Underemployment

While unemployment numbers signal a difficult Texas labor market, these rates do not wholly capture the problems faced by Texas workers. Examining underemployment provides a more comprehensive look at the overall impact the recession has on the labor force and the economy. The unemployment rate tries to capture the problems of workers looking for work, while underemployment includes a broader category of workers as delineated in the underemployment glossary.

Both unemployment and underemployment rates decrease or increase counter to wider economic expansion or contraction.⁸ Unemployment has a long-term impact on Texas workers: foregone wages and lost output for the individual. These individual losses in turn translate into losses for the broader economy: lower tax revenues and lower productivity.

If the last recession during the early 2000s business cycle is an indication, Texas should expect sustained increases in the underemployment rate for those employed part-time for economic reasons. Nationally, one-tenth of workers became underemployed during the 2000-2003 recession.⁹

While underemployment dropped when the economy regained strength between 2003 and 2007, it never fully recovered to pre-recession numbers and only gradually dropped over the four-year period following the economic downturn.

In the last recession, Texas' rate of workers employed part-time for economic reasons significantly exceeded the national average. During the current recession, Texas appears to be experiencing similar rates of underemployment as the rest of the country.

Compared to their national counterparts, Texas workers with less than a high school degree were almost twice as likely to be underemployed in 2008, with a 27.4-percent underemployment rate compared to the U.S. average of 14 percent. Similarly, this group experienced a greater increase in the unemployment rate at 36 percent compared to 28 percent for the national average.

Glossary of Terms

Underemployment: Underemployment numbers include unemployed workers, as well as those workers not fully employed or who would like to be employed, but are not actively seeking a job. There are three categories of underemployed workers.

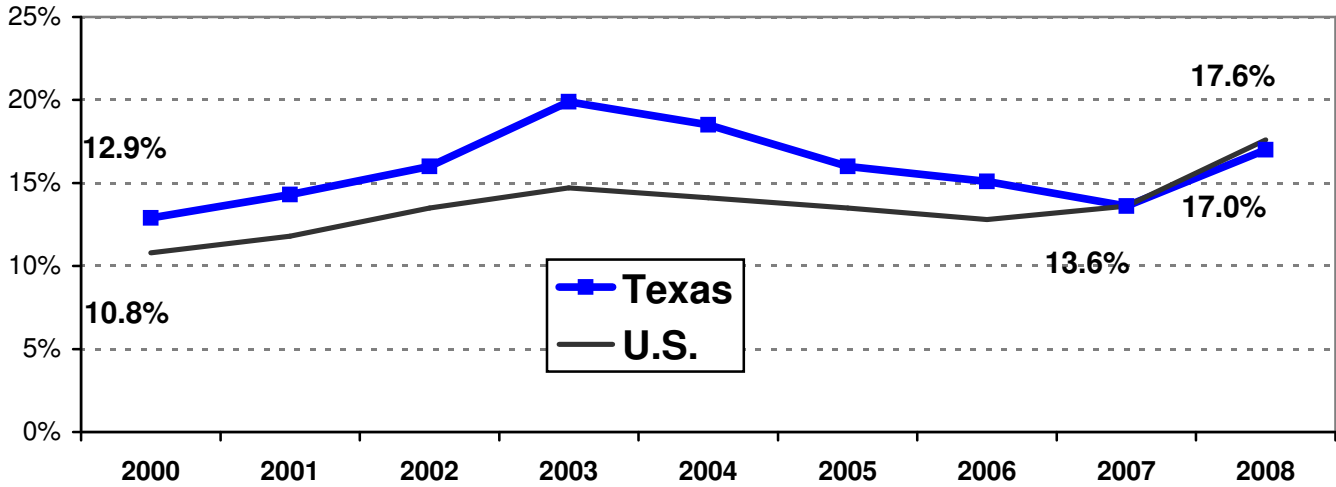
1. Involuntary Part-Timers are working part-time, but can and want to work full-time.
2. Discouraged Workers can and want to work but are discouraged from looking due to weak job prospects.
3. Those who neither work nor look for work but who can and want to work and have looked for work in the past year.

Marginally Attached Workers: Both discouraged workers and those who are not looking for work, but have looked for a job in the past year (2 and 3), are considered marginally attached to the labor force.

Source: Economic Policy Institute, State of Working America, 2008/2009.

This recession has been particularly hard on male workers, and Texas is no exception. In Texas, the number of men involuntarily working part-time increased 37 percent between 2007 and 2008, versus 10 percent for females. Although more Texas men became underemployed, the male Texas underemployment rate is still below the U.S. average—23.7 percent versus 24.3 percent nationally.

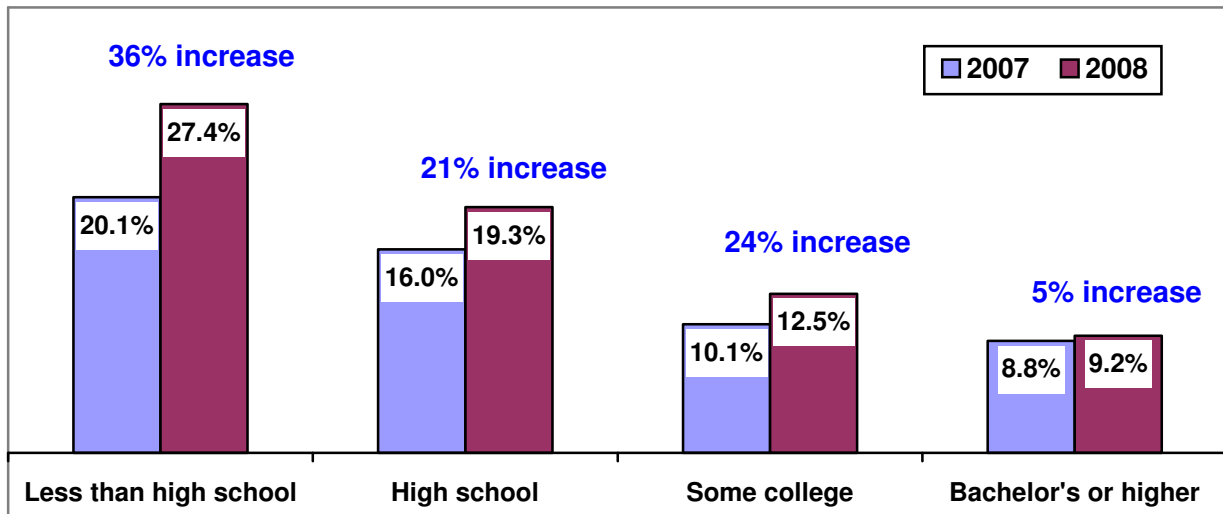
Texas vs. U.S. Share of Part-Time Workers for Economic Reasons



Source: Economic Policy Institute Analysis of Current Population Survey data; CPPP Analysis

Change in Texas Underemployment by Educational Attainment

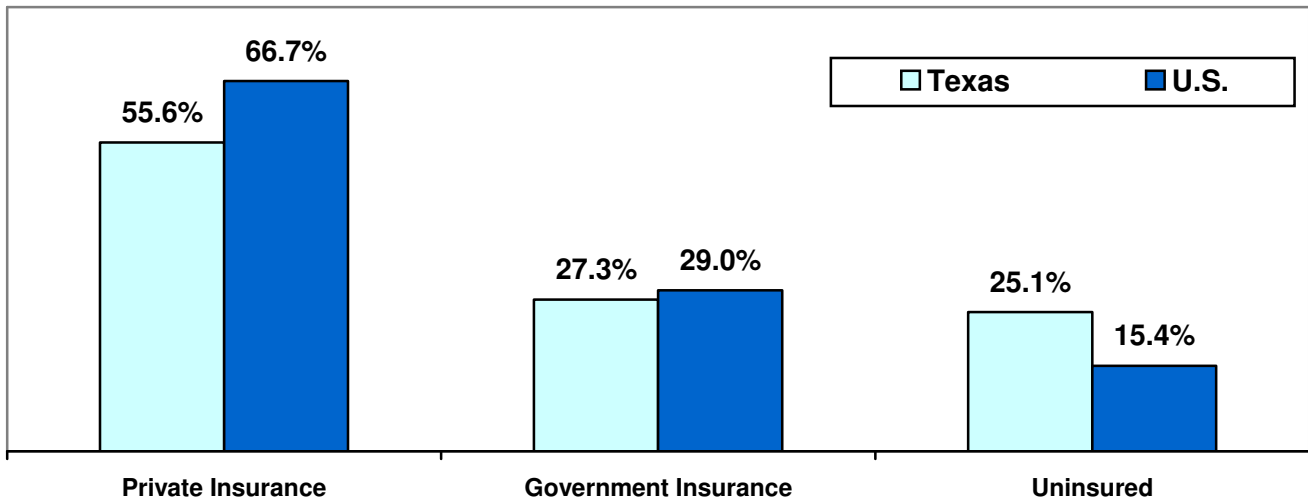
Underemployed rate



"Underemployment" is defined as working part-time for economic reasons.

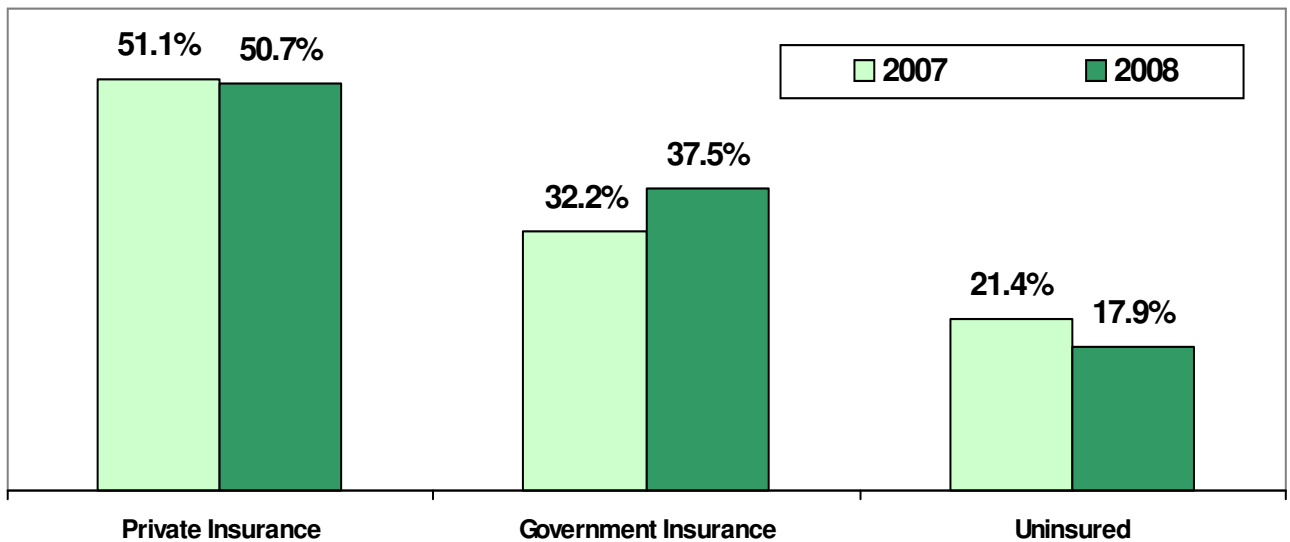
Source: Economic Policy Institute analysis of Current Population Survey data; CPPP analysis.

Health Coverage by Type, Texas and U.S. Average (All Ages)



Source: CPPP Analysis of U.S. Census Bureau data.

Change in Children's Health Insurance Coverage by Type, 2007-2008



Source: CPPP Analysis of U.S. Census Bureau data.

Health Insurance Coverage: Texas trails the nation in providing access to health coverage through work. Nationally the problem of the uninsured is no doubt a pressing issue; however, private insurance covers two-thirds of the nation's population, whereas private insurance only covers a little more than half of Texans. Texans also access government insurance at a lower rate than the national average, leaving more than a quarter of Texans without health insurance.

Children's coverage has increased primarily due to more children moving from the ranks of the uninsured into publicly funded programs such as the State Children's Health Insurance Program (CHIP) and Medicaid. Since last year, the rate of uninsured Texas children fell from 21.4 percent to 17.9 percent, whereas the rate for those on publicly funded programs rose 16.6 percent to 37.5 percent. More than a quarter (27.9 percent) of Texas children below 200 percent of poverty were uninsured in 2006-08. This figure is slightly lower than the previous three-year moving average of 29.5 percent.

Health Insurance Coverage and Wages: Health insurance premiums grew 4.6 times faster than wages from 2000 to 2009.¹⁰ Just as wages are in decline for many Texas workers, Texans face rising premium costs and other out-of-pocket expenses, including copayments and higher deductibles, as well as other costs for procedures and medical care not covered by insurance.

High numbers of uninsured are exacerbated by large numbers of Texans becoming unemployed leaving them without insurance or unable to pay the high cost of COBRA premiums despite the 65-percent subsidy provided under the American Recovery and Reinvestment Act of 2009 (ARRA).

The family share of covering annual premiums for employer-sponsored coverage rose by \$3,720 from 2000 to 2009, a 134.3-percent higher burden on the family.¹¹ The employer share increased by 76.3 percent or \$3,720. Despite these increases, annual wages grew at a much slower rate of 19.7 percent from 2000 to 2009, or a \$4,541 increase from \$23,032 to \$27,573.¹² These high and rising costs made it harder for working families to afford health care.

Cost of Health Care Premiums versus Wage Growth, 2000 – 2009

Spending/Income	2000	2009	Change in \$	Percent Change
Premium Spending- Family	\$ 2,627	\$ 4,470	\$ 6,083	91.6%
Premium Spending- Individual	\$ 6,638	\$ 12,721	\$ 3,720	70.2%
Median Annual Income	\$ 23,032	\$ 27,573	\$ 4,541	19.7%

Source: CPPP Analysis, Families USA – 2009.

Home Foreclosures

During the economic downturn, more Americans face foreclosures due to a lack of a financial safety net and few resources to modify their loans and save their homes. The rise in predatory lending practices with subprime mortgages more prevalent in the marketplace also hurt home buyers.

As the housing crisis has spread across the country, current projections for foreclosures in 2009 are grim. Projections for home foreclosures in 2009 are expected to exceed 99,300 households in Texas and 330,600 during the next four years.¹³ From August 2008 to August 2009, Texas experienced a steady increase in home foreclosures (3.6 percent). Foreclosures averaged just more than 10,300 per month, with June and July 2009 exceeding 12,000 home foreclosures. In 2008, Texas had a foreclosure rate of 1.4 percent of all outstanding mortgages compared to the national average of 3.0 percent.¹⁴ Despite Texas' standing on the number of households entering into the legal process of home loss, the state has a higher percentage of high-cost loans at 20.3 percent of total mortgages compared to 17 percent nationally.¹⁵ Texans also carry more mortgage debt as a percent of their home value (94.7 percent), ranking Texas 48th among states.¹⁶

Foreclosure is problematic because it strips workers and families of their greatest asset—their home. Furthermore, families lose the equity in their home, leaving them with poor credit that will remain a problem for the long-term. Families suffering such great financial loss, also face uprooting their children from their schools and neighborhoods. The broader economic impact leaves communities with homes abandoned and home values plummeting, thereby reducing local tax revenues, losses in the construction and real estate industries, reduced employment, and long-term impacts on housing and credit markets.¹⁷

Conclusion

As the national recession continues through its second year, our growing labor force faces greater challenges with increasing unemployment and underemployment, home foreclosures, lack of health care access, and overall declining wages. Men are experiencing greater rates of unemployment and losses in wages compared to women, while all Texans still trail the rest of the country in median wages. The educated workforce, with a college degree or higher, is faring best during the recession, while those without a high school degree are dropping out of the labor force at a greater rate. When Texas workers will regain and recover jobs and income is uncertain.

CPPP Intern Leslie Helmcamp contributed to this Policy Page.

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The Center for Public Policy Priorities is a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans.

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