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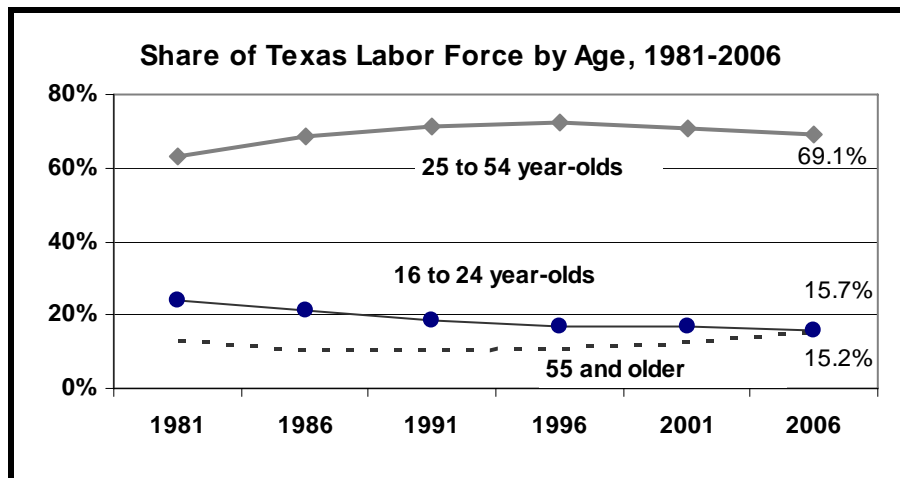
THE STATE OF WORKING TEXAS 2007

The State of Working Texas 2007 is CPPP's annual Labor Day report on the status of the Texas economy and workforce drawing from various federal and state data sources, with assistance from the Economic Policy Institute. This report analyzes trends in unemployment, wages, and demographics, along with other issues that affect working Texans. On a positive note, unemployment has declined considerably, the gender wage gap has narrowed, and a smaller share of workers is earning poverty wages. On the negative side, Texas continues to lag far behind the nation and even the region on several key indicators, including educational attainment, health insurance, and wage growth. Moreover, Texans face obstacles in accessing key work supports such as adult education, workers compensation insurance, and Unemployment Insurance (UI) benefits. For the future, Texas must address the lower educational and skills levels among our fast growing population of younger workers to maximize our economic progress.

THE TEXAS LABOR FORCE

The Aging of the Texas Workforce

The majority of the Texas labor force is comprised of workers between the ages of 25 and 54, who make up 69% of the total workforce. Workers in the 16-24 (youth) and 55-and-over groups comprise about 16% and 15% respectively. The Texas labor force is slightly older than the national average. The labor force share of the 55-and-over age group has increased from 12.3% to 15.2% in the last five years, reflecting a nationwide trend of aging "baby boomers" and an impending retirement wave. Meanwhile, the labor force share of the youth (age 16-24) group has steadily declined over the past two decades in both Texas and the United States.

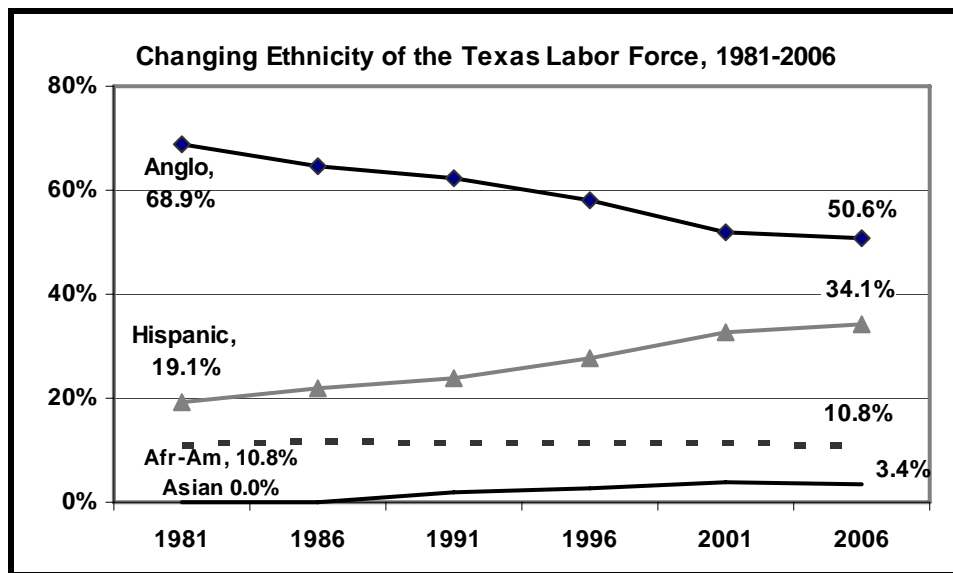


Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

Over the next several years, Texas needs to be prepared for a retirement wave that will affect a broad range of industry sectors. Coupled with a lag in labor force participation from younger workers, the aging of Texas' workforce will become increasingly significant.

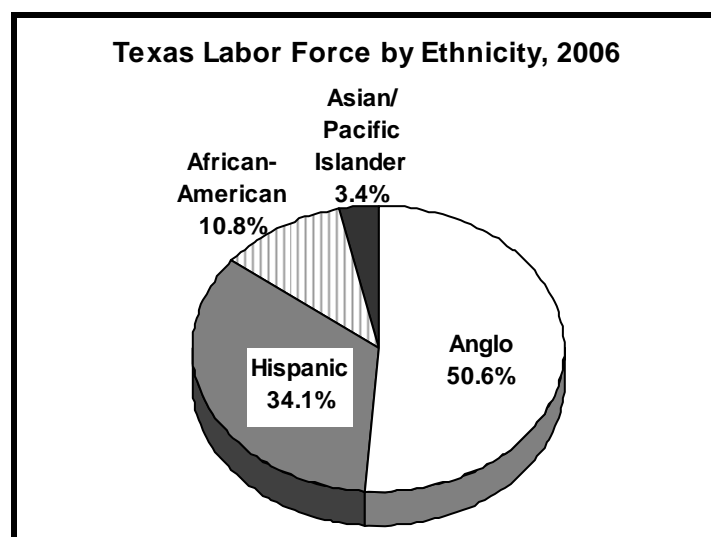
Racial & Ethnic Composition of the Texas Workforce

The ethnic composition of the Texas labor force has changed dramatically over the last decade. Since 1996, the Hispanic share has increased from 27.6% to 34.1%, while the Anglo (or Non-Hispanic White) labor force share has declined to represent just over half of the Texas workforce. Over the same period, the African-American share has steadied around 11.0%. The Asian workforce has grown significantly from the negligible share recorded in 1981. The graph below depicts the changes in the ethnic composition of the workforce over the past 25 years:



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

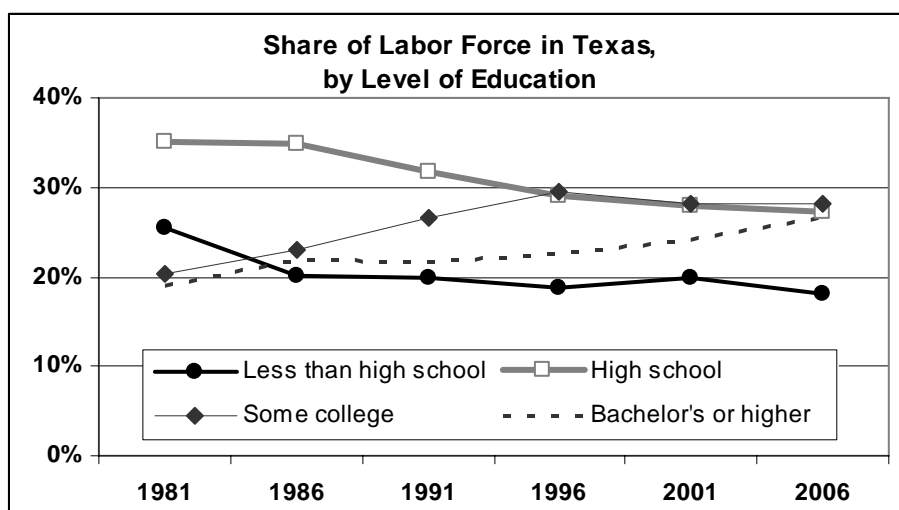
Texas has a much greater percentage of Hispanic workers than the national average. Nationally, Hispanics make up 14% of the labor force, while 34% of Texas workers are Hispanic. The following chart shows the current ethnic composition of the Texas workforce.



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

The Educational Attainment of the Texas Workforce

From 1986 to 1996, Texas' progress on educational attainment stagnated while the rest of the U.S. labor force added proportionately more college graduates. Thereafter, Texas began to improve its share of college graduates in the workforce. In 1996, a worker with a bachelor's degree or higher represented 22.6% of the total workforce; since then, their labor force share has climbed steadily. However, Texas continues to lag behind the national average in educational attainment. In 2006, college graduates made up a larger labor force share in the U.S. (29.5%) than in Texas (26.5%). Moreover, Texas continues to trail the U.S. average in the share of workers with at least some college education. About 54.6% of Texas workers have some college or a bachelor's degree or higher; the U.S. average is 58.0%. The following graph depicts the long-term trends in educational attainment for the Texas workforce:



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

A relatively large segment of the Texas population lacks basic credentials to command higher wages in today's labor market. In fact, Texas ranks 51st in the share of adults (age 25-54) without a high school diploma or GED. Nearly 1 in 5 adults (19.6%) in Texas lack this essential foundation upon which to build marketable skills and foster economic mobility. Moreover, Texas' young adults (age 18-24) are relatively under-enrolled in postsecondary education, compared to the rest of the U.S. Fewer than 1 in 3 young adults (30.8%) in Texas are currently enrolled in postsecondary education, placing Texas 43rd among the states. The relatively low educational attainment of the younger workforce will pose tremendous challenges for Texas as it faces an impending retirement wave by mature and experienced workers and a potential skills shortage among a younger, less educated labor pool.¹

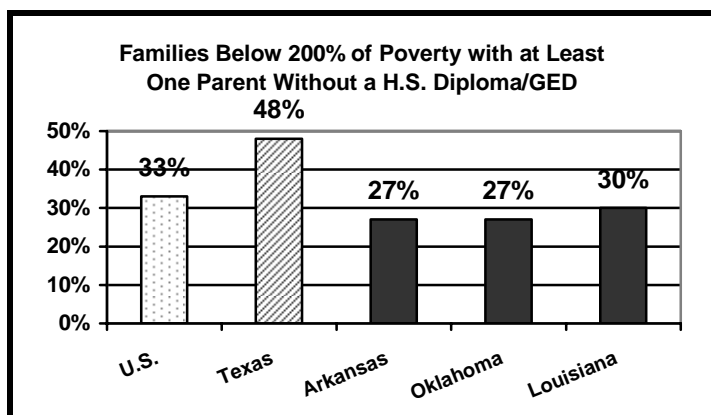
THE IMPORTANCE OF EDUCATION

Education is a key determinant of a family's well-being, and Texas faces formidable challenges given its education profile. Almost half (48.0%) of the working families below 200% of the poverty level has at least one parent without a high school diploma.² Furthermore, the share of these households in Texas is considerably higher than the national average.

¹ Population Reference Bureau, 2004.

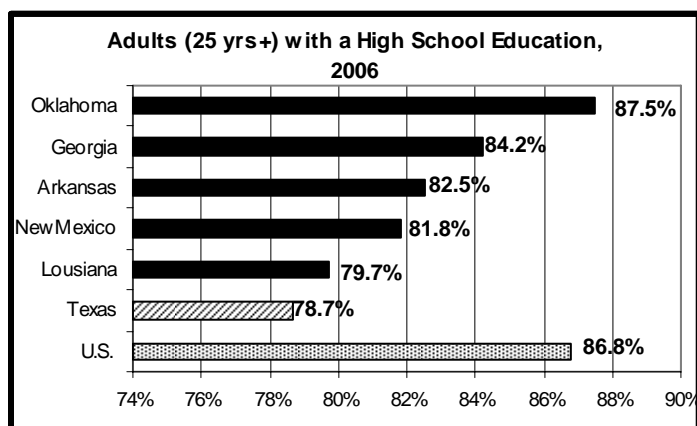
² Source: 2006 American Community Survey Microdata.

Here is how Texas compares to other states in the West South Central region and the U.S. average:



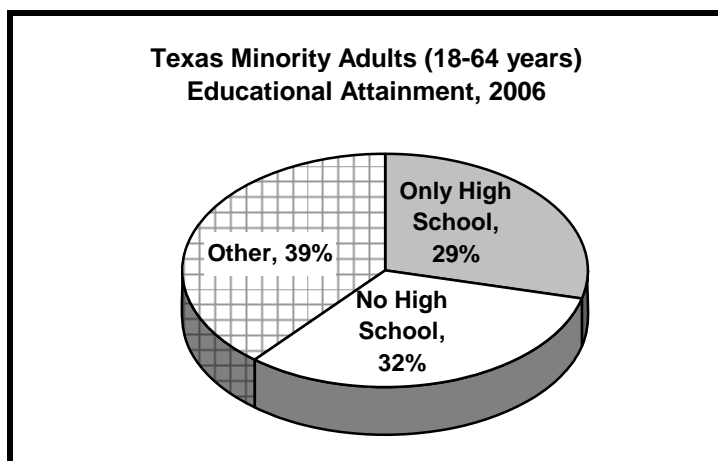
Source: 2006 American Community Survey Microdata.

- Nearly 1 in 2 Texas low-income families includes at least one parent who did not finish high school, ranking Texas 50th.
- For Texas working families under 200% of the poverty line, nearly two-thirds (64%) lack a parent with any postsecondary education, ranking Texas 50th.



Source: U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement.

- Texas has the lowest percentage of adults with a high school education in the nation.
- Oklahoma outperforms other states in the region with 87.5% of its adults with at least a high school education.
- However, most of the states in the region, including Texas, are below the national average of 86.8%.



Source: American Community Survey Microdata, 2006.

- Texas has a higher percentage of the minority population without a high school education (32%) than the national average of 25%.
- Most minority adults (61%) in Texas have not attained any formal education beyond high school.

Few Texans are engaged in adult education programs, which can address education and skills gaps for workers who lack basic workplace skills. Texas ranks 48th among the states in the share of adults without a high school diploma/GED who are enrolled in adult education. Only 4.6% of Texans without a high school credential are enrolled in adult education, well below the national average (10.5%).³

THE PERFORMANCE OF THE LABOR MARKET

Higher Overall Job Growth

Since 2003—the first year of the recent economic recovery—Texas has witnessed strong job growth, far surpassing national figures. Over the past year, Texas has also outperformed the national job market. From April 2006 to April 2007, Texas experienced a growth of total non-farm jobs (seasonally adjusted) of 2.4%, almost double of the national average of 1.4%. Currently, Texas has approximately 10.3 million jobs, representing a 9.0% increase in total jobs since 2003, easily surpassing the national average (5.7%).

Since 2003, Texas has posted the 11th largest percentage increase in non-farm jobs in the U.S. and a greater increase than any other state in the West South Central region, including Arkansas, Louisiana, and Oklahoma. Following Texas is Oklahoma with 6.2%, Arkansas with 5.6%, and Louisiana with virtually no job growth since 2003.⁴

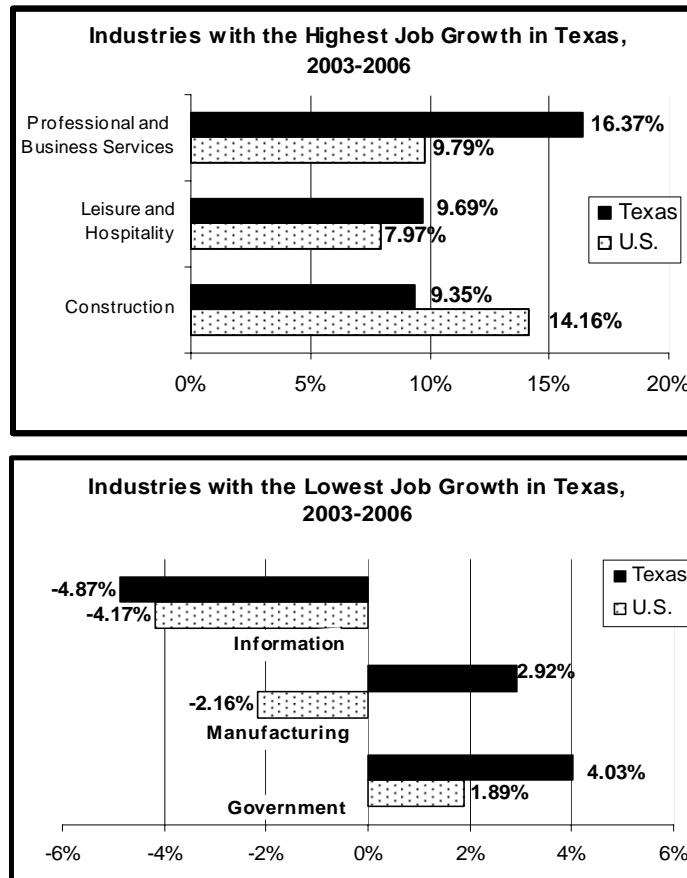
Several industries in Texas have expanded at a rapid rate since 2003. Professional and Business Services posted the highest industry growth in Texas by expanding 16.4% over three years. Leisure and Hospitality (9.7%) and Construction (9.4%) were the remaining high-growth industries during this recent period. These high-growth industries in Texas represent a broad range of skill and wage levels.

Other Texas industries posted relatively modest job growth since 2003, while only the Information sector experienced actual job reductions. Employment in the Information sector declined 4.9%, reflecting a national trend. With modest growth in manufacturing, Texas bucked the national trend of an ailing domestic manufacturing sector. Meanwhile, jobs in government continued to demonstrate solid, steady growth (4.0%).

Compared to the national averages, most industries in Texas have grown at a faster rate. The following graphs depict the difference in the growth rate for these industries between the Texas and U.S. averages.

³ U.S. Department of Education and Population Reference Bureau, 2004.

⁴ Economic Policy Institute Analysis, 2007.



Sources: Economic Policy Institute analysis and Current Population Survey Data, 2007 and the U.S. Bureau of Labor Statistics, 2007.

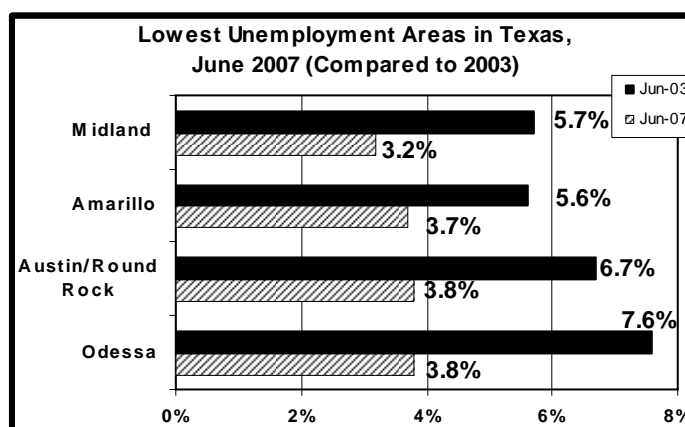
Decline in Overall Unemployment

Over the past few years, overall unemployment in the United States has declined steadily prior to leveling off in recent months. During this period, the Texas job market has become even tighter, as the Lone Star State has reduced unemployment at a faster rate than the U.S. as a whole. In fact, the Texas economy experienced its lowest unemployment rate in 2006 (4.8%) since 2000 (4.2%). The current Texas unemployment picture represents a dramatic turnaround from the recent high mark (6.8%) reached in 2003.⁵

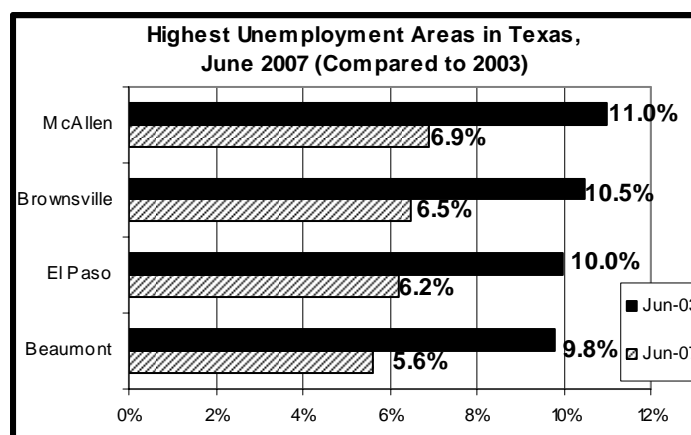
While several Metropolitan Statistical Areas (MSAs) have unemployment rates below the state and national average, some Texas MSAs are experiencing relatively high unemployment. Over the past several decades, areas along the Texas-Mexico border have been afflicted by economic neglect, depressed wages, and low labor force participation. Nonetheless, these MSAs have made noticeable strides in reducing their unemployment rates over the past few years. In fact, some metro areas have nearly cut their unemployment rate in half, as shown by the following exhibits.

⁵ Economic Policy Institute Analysis, 2007.

Unemployment Varies Considerably Among Metropolitan Areas



Source: Texas Workforce Commission, Labor Market and Career Information, 2007

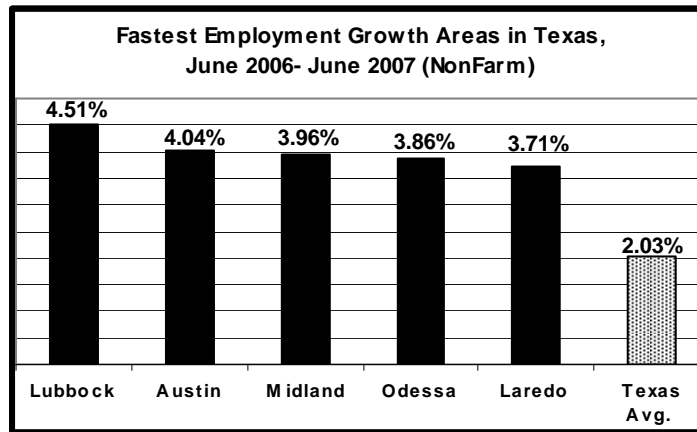


Source: Texas Workforce Commission, Labor Market and Career Information, 2007.

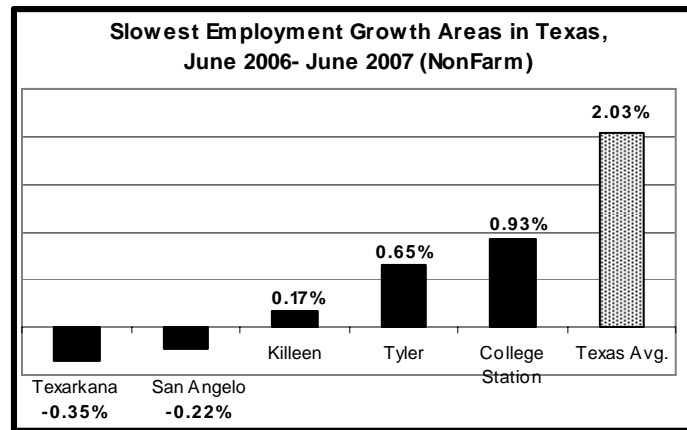
Job Growth Also Varies by Area

Job growth remains of vital importance to the economic development of cities and regions. Job creation generates broader economic activity and can boost overall productivity. Several Texas metropolitan areas have experienced increasingly rapid growth in their non-farm employment. From June 2006 to June 2007, the Lubbock, Austin, Midland, Odessa, and Laredo regions emerged as the top five fastest employment growth areas in Texas, enjoying much faster employment growth than the state average.

On the other hand, the Texarkana and San Angelo regions have recently experienced modest job declines, posting reductions of 0.4% and 0.2% respectively. A few other regions witnessed minimal job growth, at rates lower than the state average. These regions include the Killeen, Tyler, and College Station job markets.



Source: Texas Workforce Commission, Labor Market and Career Information, 2007.



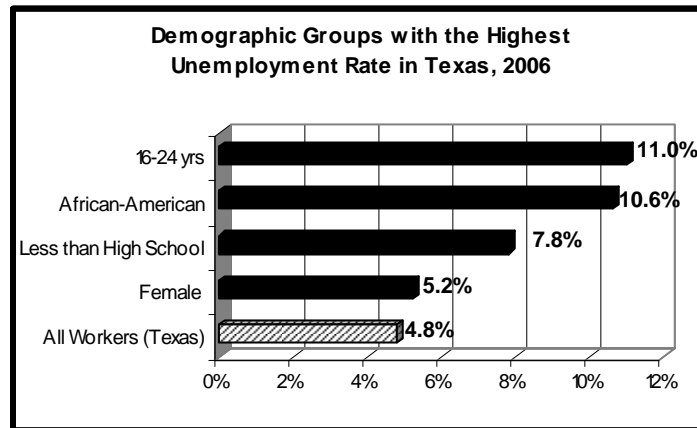
Source: Texas Workforce Commission, Labor Market and Career Information, 2007

Unemployment Varies Considerably by Age, Ethnicity, and Education Level

Unemployment tends to be higher among those with less education. Texas workers without a high school diploma had the highest unemployment rate (7.8%), while Texans with a bachelor's degree or higher posted only a 2.1% unemployment rate for 2006. Compared to national averages, Texas has a lower unemployment rate for workers who did not complete high school. In the U.S., these workers have an average unemployment rate of 9.9%, whereas in Texas they face a 7.8% rate. A possible explanation could be found in the disproportionately high number of poverty and low-wage jobs in Texas, many of which may not require a high school or postsecondary credential.

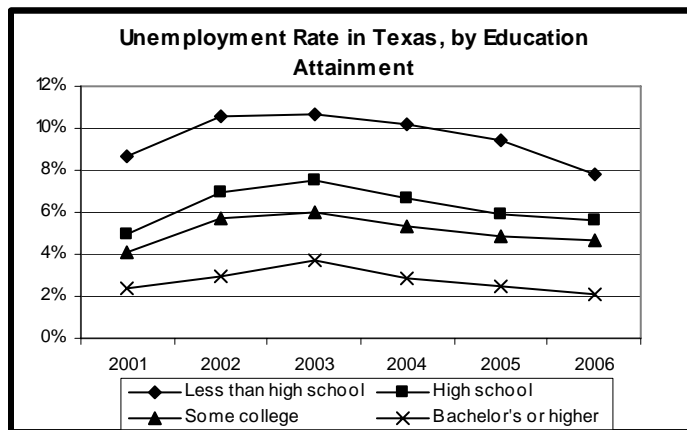
Unemployment also varies by ethnicity, with African-Americans suffering the highest unemployment rate of 10.6%, followed by Hispanics with 4.6% and by Anglos with 3.9%.

The group with the highest unemployment rate remains youth, followed closely by African-Americans. These two groups, along with workers without a high school education and women, tend to have the highest unemployment rate. Given their increasing representation in the labor force, these trends will continue to pose challenges for the Texas economy.

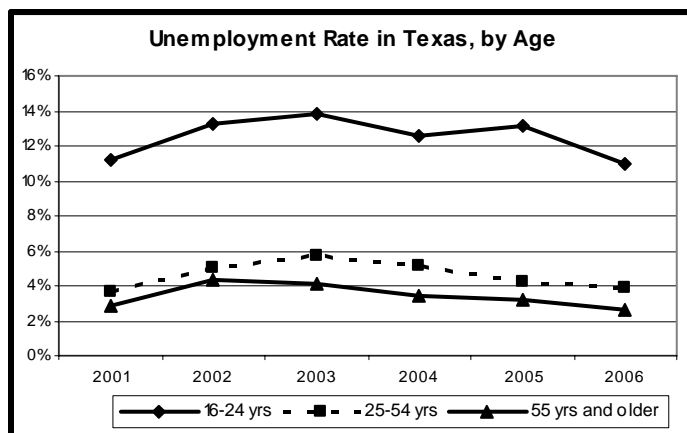


Source: Economic Policy Institute Analysis and Current Population Survey Data, 2007.

These graphs depict the unemployment trend in the last five years by demographic group:

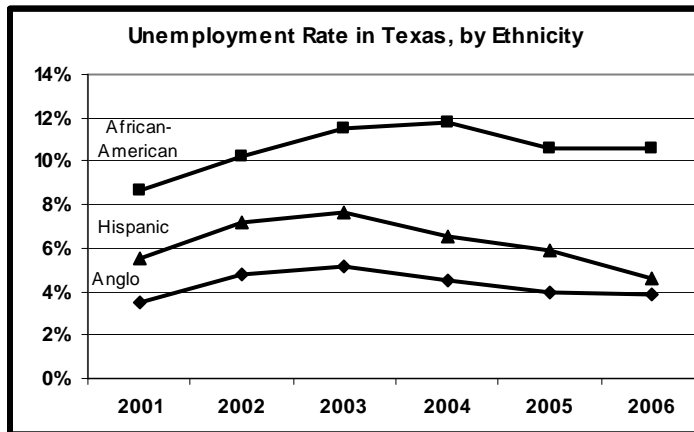


Economic Policy Institute analysis of Current Population Survey Data, 2007.



Economic Policy Institute analysis of Current Population Survey Data, 2007.

- Since 2003, the unemployment rate for college graduates has been nearly cut in half.
- The unemployment rate for workers with less than high school education has decreased significantly. This rate has dropped since its 2003 peak (10.7%) to its current 7.8% unemployment rate.
- Workers aged 16-24, who have an almost 11% unemployment rate, are more likely to find themselves unemployed than any other age group.
- Compared to the constant rate of the other groups, the youth unemployment rate has declined by nearly three percentage points since 2003.



Economic Policy Institute analysis of Current Population Survey Data, 2007.

- The unemployment rate for African-Americans is more than double the rate of other ethnic groups.
- Since 2003, African-Americans have also experienced slower declines in their unemployment rate than other ethnic groups.

Unemployment Insurance Benefits

Unemployed Texans face challenges in gaining access to Unemployment Insurance (UI) benefits. In 2006, Texas' UI recipiency rate—the share of unemployed workers that are receiving UI benefits—sank to its lowest rate since 1981. Only 18.6% of the Texas unemployed received UI benefits in 2006, the 2nd lowest rate in the U.S. and well below the national average (35.2%).⁶

A range of state laws and regulations prevent worthy applicants from qualifying for UI benefits, despite a burgeoning and flush UI Trust Fund. Chief among these policies remains the unwillingness of Texas to adopt the Alternate Base Period (ABP)—a policy that considers a worker's recent wage and work history and now operative in twenty other states. Instead, Texas has continued to use the Standard Base Period which disregards 3-6 months of recent earnings and work history. This outdated method of computing UI benefits disproportionately affects low-wage workers who become unemployed. By adopting the ABP to match the current labor market experience, Texas could enable approximately 30,000 unemployed workers access to over \$38 million in UI benefits each year.⁷

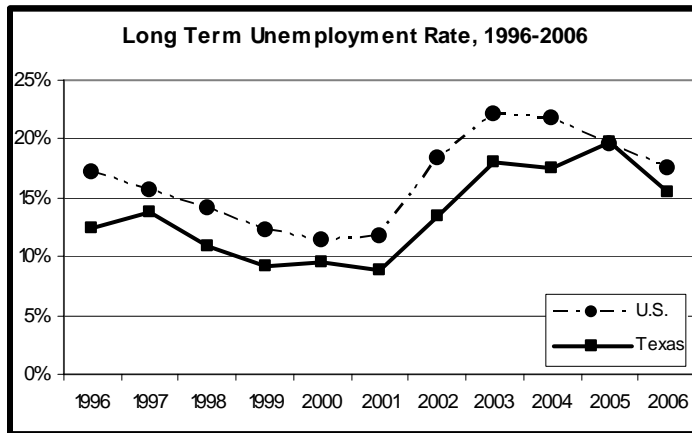
Long-Term Unemployment in Texas

Long-term unemployment remains an important issue in the Texas unemployment picture. Long-term unemployment includes those who have been unemployed and seeking work for more than 26 weeks. After six months of being out of work, a typical worker has exhausted unemployment benefits and may have significantly or completely depleted their savings. As a result, unemployment may have lasting effects, such as elevated levels of debt, diminished retirement and savings, or relocation from secure housing and communities to new, unfamiliar locations in order to find employment.

Compared to the previous year, the long-term unemployment rate has decreased significantly. In 2005, it hovered near 20.0%, but the long-term unemployment rate sank sharply to 15.5% for 2006, marking Texas' sharpest drop in the past decade. With this dip in the long-term unemployment rate, Texas' figures fell below the national average (17.6%) for 2006. However, Texas' long-term unemployment rate remains well above levels attained during the late 1990s.

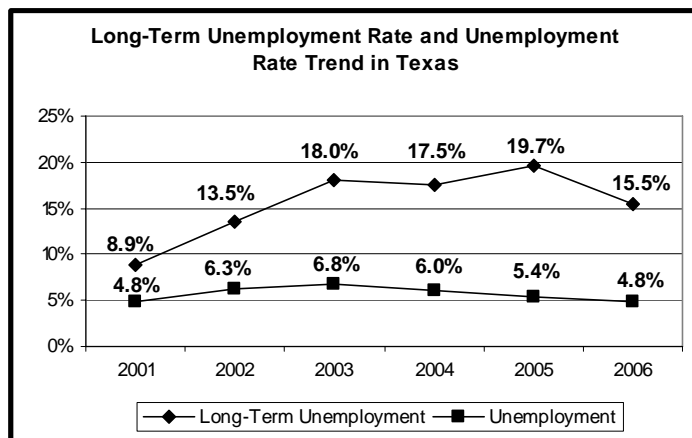
⁶ U.S. Department of Labor, 2007.

⁷ National Employment Law Center, CPPP Analysis, 2007; for more information on the Alternate Base Period, see <http://www.nelp.org/docUploads/ABPReport2005%2Epdf>.



Economic Policy Institute analysis of Current Population Survey Data, 2007.

- In 2005, Texas suffered an increase in the long-term unemployment rate, while the U.S. rate declined, effectively equalizing long-term unemployment rates between Texas and the U.S.
- In 2006, Texas' long-term unemployment rate once again fell below the U.S. average.



Economic Policy Institute analysis of Current Population Survey Data, 2007.

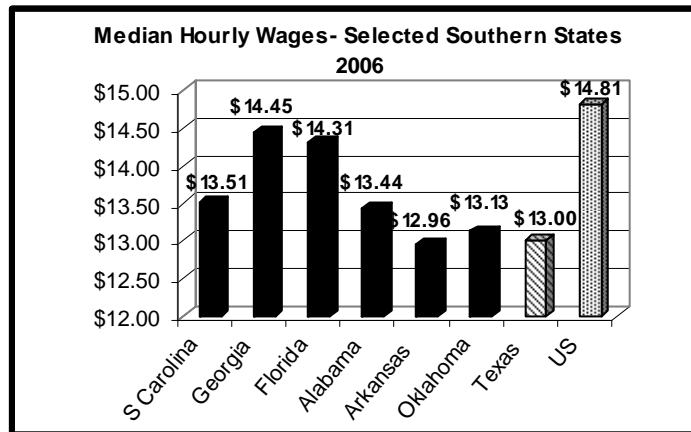
- An unemployed Texan is nearly twice more likely than in 2001 to remain unemployed for 26 weeks.
- Adult workers (age 25-54) and men are more likely to be long-term unemployed than other groups.
- African-Americans experienced a sharp drop in their long-term rate, declining from 24.9% to 17.9% from the previous year.

As shown above, the long-term unemployment rate remained stubbornly high even during years of declining unemployment. Such a trend is unusual by historical standards, but typical of national patterns during the recent economic recovery.

HOW MUCH ARE TEXAS WORKERS EARNING?

Average Wage Lower than National Average

As of 2006, Texas' average hourly real wage is \$13.00 (\$1.81, or 12.2% lower than the U.S. average). The following chart shows how Texas compares to the national average and several other states in the Southern region. In this report, the "real wage" is an hourly wage adjusted for inflation, while the "nominal wage" is an hourly wage, not adjusted for inflation.



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

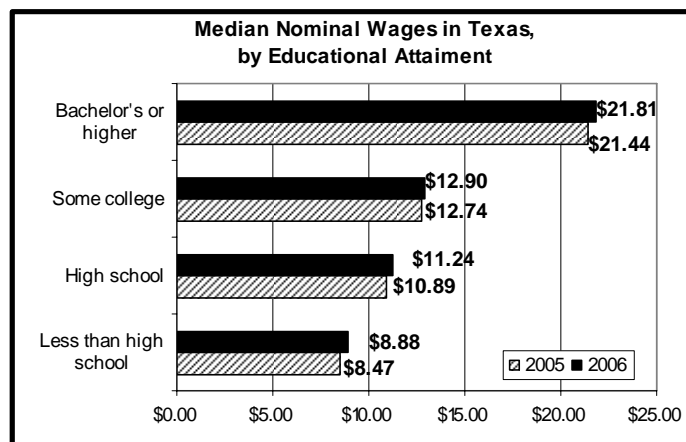
Wages in Texas

In the U.S., median real wages have increased 3.4% since 2000, while Texas' wages have been stagnant. In fact, the current median real wage of \$13.00 is well below the 2002 mark of \$13.25.



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

Workers with less than a high school education have seen the largest decline in their real wages, in both dollar amount and percentage reduction.



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

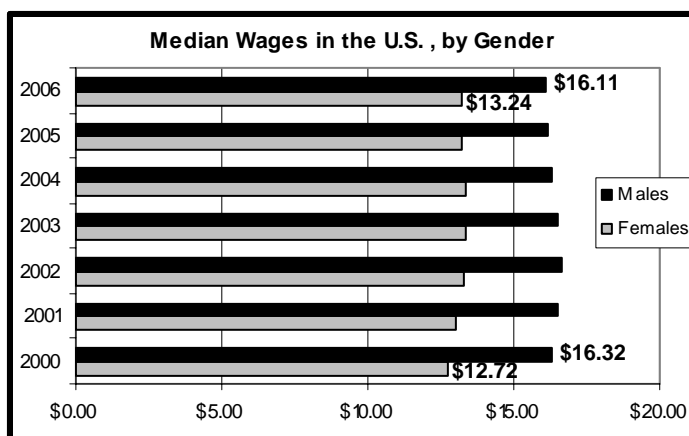
Many Texas workers do not earn enough to escape poverty, as over 30% of workers are earning wages below the poverty level. While this poverty share declined from 2005 to 2006, Texas continues to rank near the bottom on this measure—slightly ahead of Mississippi and Montana—and well above the national average (23.3%). Since 2000, Texas has made little progress on this measure, as the statewide poverty share has remained virtually unchanged during the current decade.

Trends in Household Income

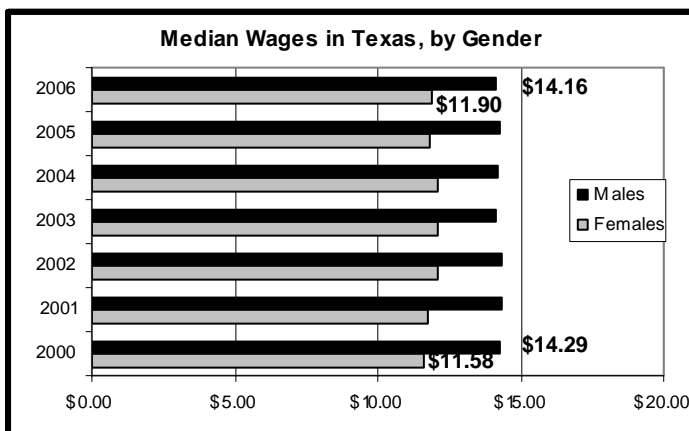
Texas' households continue to face challenges in meeting everyday needs, as median income remains below levels reached during the recent economic boom, ending in 2001. Over the past five years, median household income in Texas has declined 3.3%, adjusted for inflation. However, Texas posted a 3.2% increase in median household income from 2005 to 2006, going to \$44,922. This recent jump reversed three consecutive years of declines in the state's median household income.

Gender: A Determinant of Wages & Unemployment

Gender continues to be a strong indicator of job quality and access to gainful employment. Overall, Texas women have a lower average wage and a higher unemployment rate than men. However, women's wages have recently gained on the wages of men in Texas. Since 2000, women's median real wages have increased 2.8%, while the wages for Texas men have actually decreased by 0.9%. The following graph illustrates the wage discrepancies, by gender, for Texas and the U.S.:

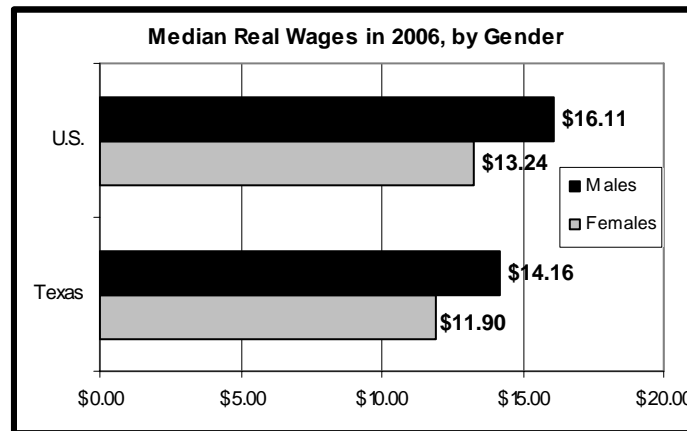


Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.



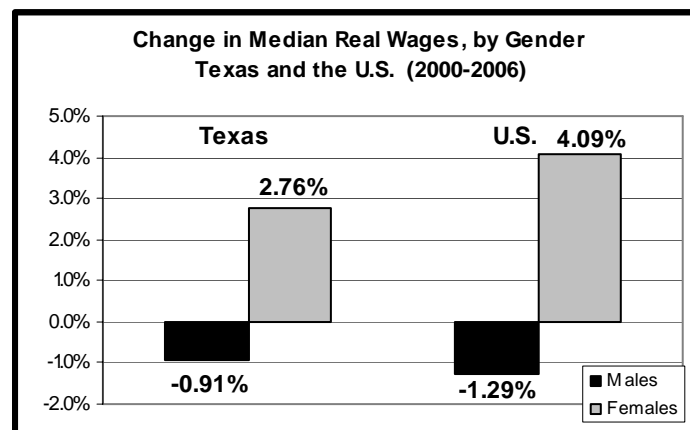
Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

The national median real wage for women is \$13.24, much higher than the real wage for Texas women (\$11.90). Men's median real wages in Texas (\$14.16) are considerably lower than the national average of \$16.11. In the U.S., real wage figures demonstrate that women are paid \$0.79 for every \$1 paid to men. In Texas, this gender gap is slightly lower with women earning \$0.81 for every \$1 paid to men.



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

The graph below illustrates the changes in median real wages in the last six years, by gender:



Source: Economic Policy Institute Analysis of Current Population Survey Data, 2007.

Women have a higher unemployment rate. The rate for women is 5.2%, while men only have a 4.5% unemployment rate in Texas. However, women have a lower long-term unemployment share of only 12.6%, compared to the rate of 18.1% experienced by men.

OTHER ISSUES FACING WORKING TEXANS

Health Insurance

Texas ranks at the bottom in terms of health insurance coverage for workers. Almost 3 out of 10 Texas workers (28.4%) do not have health insurance, compared to the national average (19%).

Remarkably, 57% of Texas working families below 200% poverty have at least one parent without health insurance, far above the national average (39.0%) for this population.⁸

Pensions

Many workers have wages that only pay for day-to-day living expenses. Therefore, most workers do not have financial means to maintain adequate retirement savings. Upon retirement, many Texans depend solely on Social Security benefits. Most workers do not have access to employer-provided pensions. In Texas, 61% of workers do not have a pension, slightly above the national average (57%).

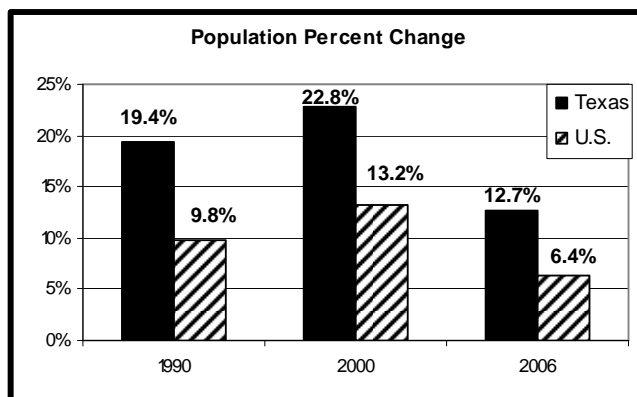
Workers Compensation

For Texans who may be injured on the job, it's likely that workers compensation will not provide much assistance. Texas is the only state for which participation in the workers compensation insurance system is voluntary for employers. In fact, Texas ranks 50th in the share of adult workers (23.5%) not covered by workers compensation insurance, well above the national average (8.9%).⁹

THE TEXAS POPULATION

The population in Texas has been growing at a faster rate than in the United States overall. The population percent change from 2000 to 2006 was 12.7%, approximately twice the national average. In only six years the total population in Texas grew from 20,851,820 in 2000 to 23,507,783 in 2006. In fact, Texas experienced the largest population growth in numerical terms of any state during this period.

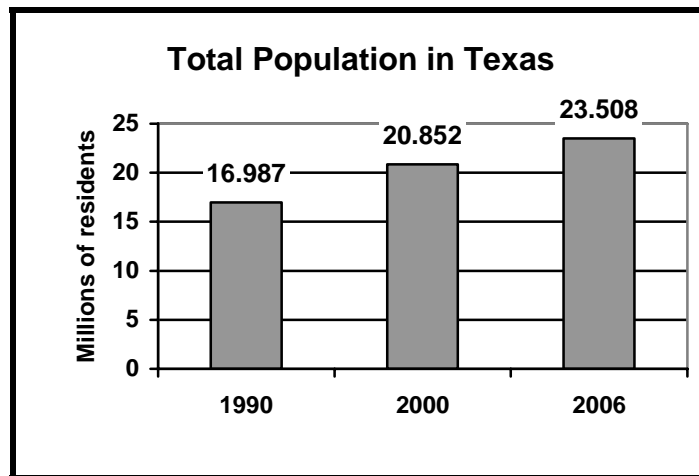
The following charts show the population change from the previous decade.



Source: Derived from U.S. Bureau of the Census estimates for dates indicated by the Texas State Data Center, University of Texas at San Antonio.

⁸ Population Reference Bureau, 2005.

⁹ National Academy of Social Insurance, U.S. Bureau of Economic Analysis, 2003.



Source: Derived from U.S. Bureau of the Census estimates for dates indicated by the Texas State Data Center, University of Texas at San Antonio.

CONCLUSION

The *State of Working Texas* serves as a snapshot of workforce and economic conditions in a rapidly growing state. While recent job growth has created more opportunity, broader-based prosperity remains out of reach for millions of hard-working Texans. The sustainability of economic progress will depend less on the one-time devices of cash incentives and tax abatements, and more on sound long-term investments in job training and postsecondary education.

CPPP expresses appreciation to Gabriela Rivera, our intern from The University of Texas-Pan American, for her work on this report, and to the Economic Policy Institute for providing us technical assistance in analyzing the data.

CPPP is a nonpartisan, nonprofit policy research organization committed to improving conditions for low- and moderate-income Texans. Learn more at www.cppp.org.