



THE POLICY PAGE

An Update on State and Federal Action

Center for Public Policy Priorities

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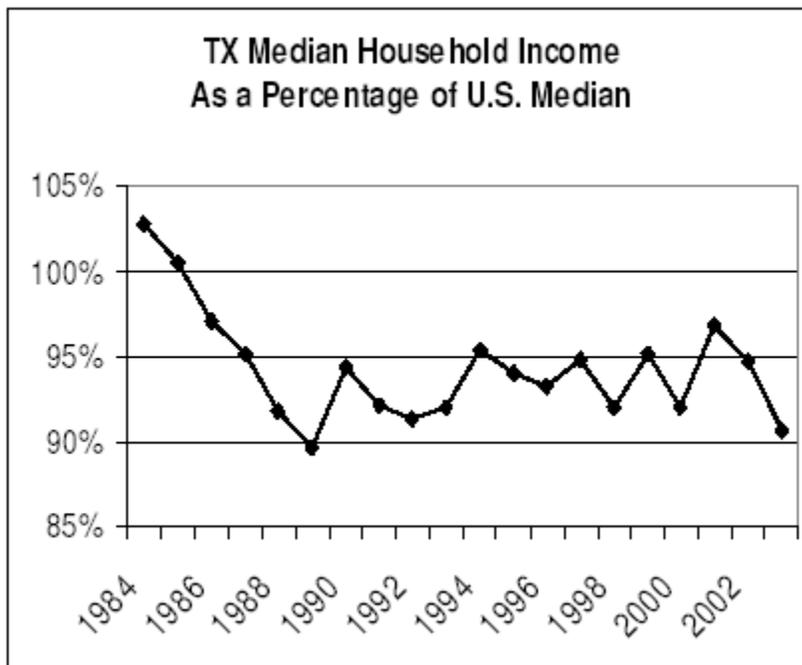
LATEST DATA SHOW TEXAS WORKING FAMILIES FALLING FURTHER BEHIND OTHER AMERICANS

A new analysis shows just how Texans and their families are doing in wages and employment compared to the average American working family. The news is not good; by many measures, Texas workers trail the national average and are falling further behind.

The Economic Policy Institute, a well-respected economic think tank, has just released its biennial study of wage and employment trends in all 50 states. The study, *The State of Working America 2004/2005*, is eagerly awaited for its comprehensive portrait of the condition of the economy. This Policy Page highlights the state of working Texas, as described in the national study, the full text of which can be found at www.epinet.org.

MEDIAN HOUSEHOLD INCOME IN TEXAS LAGS NATIONAL AVERAGE

Median household income measures the income midpoint--one-half of households have a higher income; one-half have a lower income. In 2003, the Texas median income was only 91 percent of the national median (\$39,271 compared to \$43,318) -- the lowest percentage since 1989 and down from 97 percent in 2001. The last time the median income of Texas households was greater than the national median was 1985.



LOWER INCOME REFLECTS LOWER WAGES

The lower income of the median Texas household reflects the lower wage earned by the median Texas worker (one-half of workers have a higher income; one-half have a lower income). In 2003, the median hourly wage in Texas was just 88 percent of the national median (\$12.01 compared to \$13.62). Texas workers continue to fall behind. In the past three years, the national median has grown by 1.4 percent (adjusted for inflation), while the Texas median has grown just 0.6 percent. Since 1979, a worker at the national median has seen wages increase by 10.2 percent, but the wages of a worker at the Texas median have increased by only 2.4 percent.

The pattern for a low-wage Texas worker is similar, as seen in the pattern of a worker at the 20th percentile of wages (20 percent of workers have a lower wage; 80 percent have a higher wage). In 2003, a low-wage worker in Texas received just 89 percent of the salary of the U.S.-average low-wage worker (\$7.56 compared to \$8.46). Low-wage Texas workers also have fallen behind their counterparts in other states. In the past three years, the 20th-percentile wage nationally has grown by 0.7 percent (adjusted for inflation), while the equivalent Texas wage has grown just 0.1 percent. Since 1979, the U.S.-average low-wage worker has seen wages increase by 6.9 percent, but the wages of a low-wage Texas have increased by only 1.0 percent.

HIGHER UNEMPLOYMENT, PART-TIME WORK KEEP WAGES AND INCOME DOWN

One reason for the lower wages earned by Texas workers is that the unemployment rate in Texas is consistently higher than the national average. Higher unemployment means that

workers have less bargaining power for wages and less opportunity to move to higher-paying jobs. The average unemployment rate for 2003 was 6.8 percent in Texas, compared to the average national rate of 6.0 percent.

Another cause of lower wages in Texas is the relatively large share of Texas workers who are involuntarily working part-time because they are unable to find full-time work.

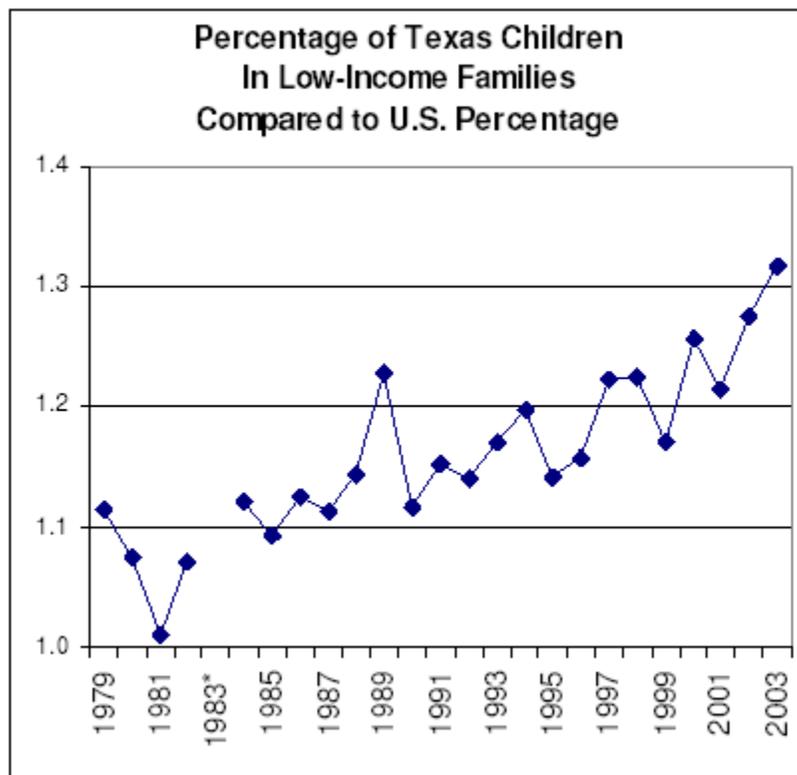
Involuntary part-time workers account for 19.9 percent of all part-time workers in Texas, a rate one-third higher than the national average of 14.7 percent. As recently as 2000, the rate of involuntary part-time work in Texas was only one-fifth higher than the national average (12.9 percent compared to 10.8 percent).

THE RESULT: MANY TEXAS WORKERS STRUGGLE TO SUPPORT THEIR FAMILIES

The extraordinarily high rates of poverty in Texas are well-known. Less noted is the higher percentage of Texans whose incomes are less than twice the poverty line--a better measure of the amount needed to support a family in acceptable conditions.

In 2003, 39.5 percent of Texans had incomes less than 200 percent of the poverty threshold (i.e. \$37,320 for a family of two adults and two children), a rate more than one-quarter higher than the national average of 31.1 percent. This is the worst relative showing for Texas in at least 25 years.

Similarly, more than one-half of Texas children (51.5 percent) live in families with incomes less than 200 percent of the poverty threshold, a rate one-third higher than the national average of 39.1 percent. This is also by far the worst relative showing for Texas in the last 25 years, the result of a consistently worsening trend since 1981, when the Texas and national rates were nearly equal. (Comparable data for 1983 are unavailable.)



TEXAS' REGRESSIVE TAX SYSTEM ADDS TO THE DIFFICULTIES OF WORKING FAMILIES

The difficulties of working families in Texas are exacerbated by the state's heavily regressive tax system, which takes a much larger share of the income of low- and moderate-income families than of higher-income families. The EPI study ranks Texas as the 8th most regressive tax system by two measures. As a percentage of income, the 1 percent of Texas families with the highest incomes pay only one-quarter (28 percent) of the taxes paid by the 20 percent of Texas families with the lowest incomes. Compared to the 20 percent of Texas families in the middle of the income distribution, those in the top 1 percent pay only 39 percent as much.

All eight of the states with the most regressive tax systems, including Texas, share a common characteristic--they lack a state personal income tax, which can offset the regressivity of other taxes, such as sales and property taxes.

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