



## THE STATE OF WORKING TEXAS 2006

Every year around Labor Day, CPPP issues a report on the status of the Texas economy in conjunction with the national Economic Policy Institute. Nearly five years since the 2001-02 recession, the economy has yet to rebound with advances in household income or real wages. In fact, Texas has shown a 6.2% decline in real median household income since 2002. Since last year, median wages declined slightly, adjusted for inflation. Virtually all demographic groups have experienced this trend, with younger workers and African-Americans especially hard hit by this decline in real wages.

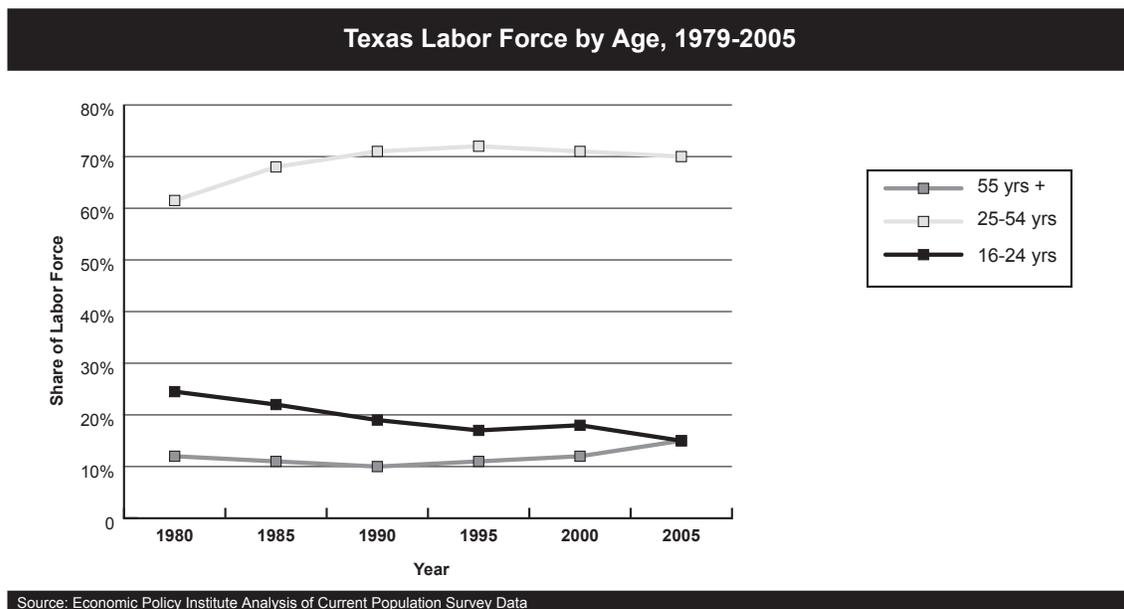
On a positive note, although still above the national average, Texas' unemployment rate continues to decline. Additionally, Texas is adding jobs at a faster rate than the U.S. as a whole. But the disconnect between sustained job growth and broad-based wage growth has increased over the past year. Texas workers' median wage continues to trail the national average, and the state's below-average health insurance coverage rate continues to decline steadily.

### WHAT DOES THE LABOR FORCE LOOK LIKE IN TEXAS?

#### The Aging of the Texas Workforce

The Texas workforce, like the national workforce, continues to trend older. Approximately 70% of the Texas labor force is between the ages of 25 and 54, slightly higher than the national average. The age 16-24 and the over-age 55 groups each comprise about 15% of the Texas labor force, also tracking the national average.

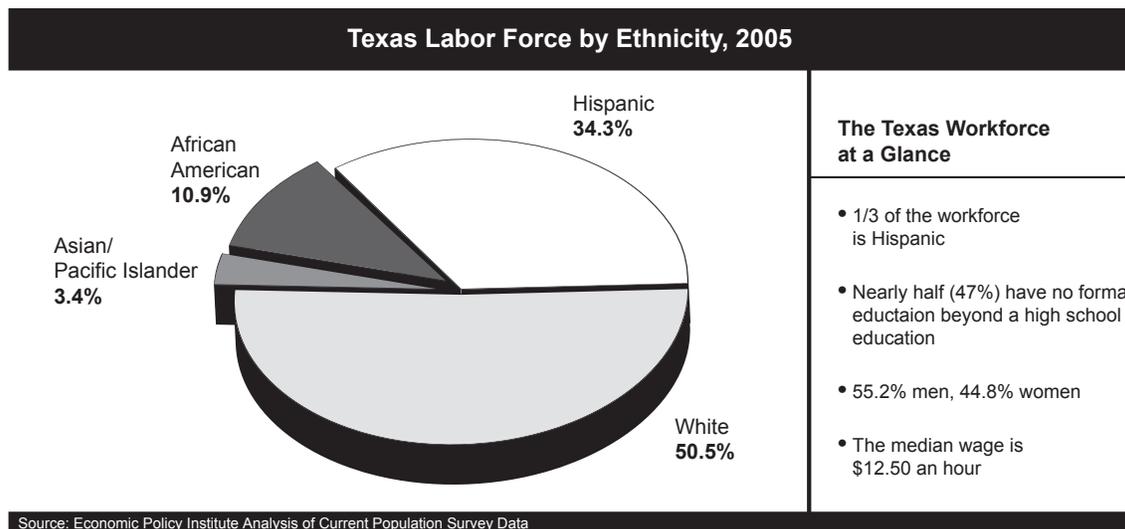
In the last 25 years, the average Texas worker has aged considerably.



#### Racial and Ethnic Breakdown of the Texas Workforce

The racial and ethnic composition of the Texas labor force differs significantly from the nation as a whole. The Texas workforce has fewer Whites, or Anglos, while the Hispanic share is more than twice the national average. Since 1980, the share of Whites in the workforce has declined from 71.2% to 50.5%. The Hispanic labor force share has doubled, increasing from 17.7% to 34.3%. The share of African-Americans in the Texas workforce has remained basically constant over this time period.

The chart below describes the ethnic composition of the Texas workforce in 2005.



## HOW IS THE LABOR MARKET PERFORMING IN TEXAS?

### Higher Overall Job Growth

Since 2000, Texas has enjoyed better job growth than the country as a whole. Since 2002, Texas non-farm employment (seasonally adjusted) grew at a 5.4% rate, compared to the U.S. average of 3.4%. Texas is also outperforming the other states in the West South Central Division (Arkansas, Louisiana, and Oklahoma). Overall, statewide employment grew at a 2.4% pace from July 2005 through July 2006.

Since 2000, the following industries have grown, due in part to the growing state population and the demand for public and health services:

- Education & Health Services (+15.3%)
- Government (+7.2%)
- Leisure & Hospitality (+9.8%)
- Financial Activities (+6.8%)

However, at the same time, Texas has seen declines in the manufacturing (-18.9%) and information technology sectors (-21.7%). This is due in part to the continued offshoring of manufacturing jobs—a national trend—and the fallout from the information technology bust five years ago.

### Decline in Overall Unemployment

Although Texas has slightly higher unemployment than the nation as a whole, Texas' unemployment rate has improved considerably since 2002. Unemployment dropped from its peak of 6.8% in July 2003 to 5.2% in July 2006 (the national average is 4.8%). This decline in unemployment is part of a national uptick in job creation since the 2001-02 recession.

### *Unemployment Varies Considerably Among Metropolitan Areas*

Texas has 25 Metropolitan Statistical Areas, or MSAs, and unemployment rates vary by region, although these regional disparities have narrowed in recent years.

### Lowest Unemployment Areas

Midland _____	4.0%
Amarillo _____	4.3%
Austin-Round Rock _____	4.4%
College Station-Bryan _____	4.5%

### Highest Unemployment Areas

McAllen-Edinburg-Mission	7.8%
El Paso	7.5%
Brownsville-Harlingen	7.3%
Beaumont-Port Arthur	7.0%

### Areas with Fastest Employment Growth (July 2005-July 2006):

McAllen-Edinburg-Mission	6.5%
Laredo	5.3%
Odessa	5.0%

### Areas with Slowest Employment Growth (July 2005-July 2006):

Beaumont-Port Arthur	-0.7% <sup>1</sup>
Corpus Christi	0.2%
San Angelo	1.2%

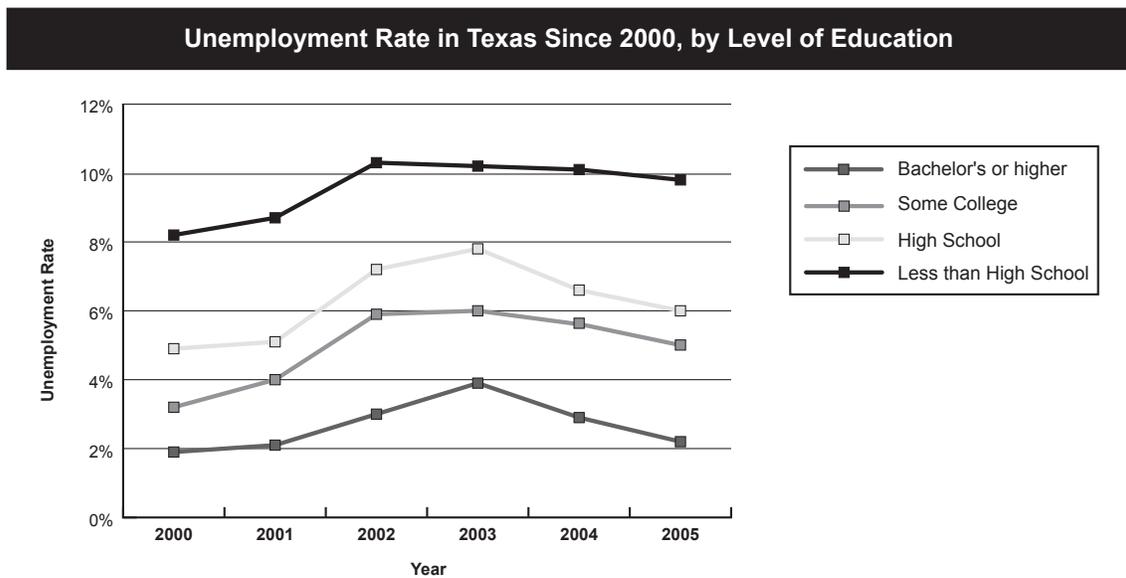
Source: Texas Workforce Commission, Labor Market and Career Information, July 2006

<sup>1</sup> The Beaumont-Port Arthur MSA suffered severe infrastructure and economic damage due to Hurricane Rita in September 2005. In this region, thousands of jobs were lost, and property damage exceeded \$8 billion.

### Unemployment Varies Considerably Depending on Age, Ethnicity, and Education Level

Texas workers aged 16-24 have the highest unemployment rate (13%) of any demographic group in this study. African-Americans trail closely behind, at nearly 11%. Just over 9% of workers who lack a high school diploma are unemployed. Yet high school “dropouts” are more likely to be employed in Texas than most states. The national unemployment rate for the “less than high school” education group is 11%.

The following graph shows the Texas unemployment trend since 2000, by education level:



Source: Economic Policy Institute Analysis of Current Population Survey Data

### Long-Term Unemployment on the Rise, Fewer Claimants Exhausting Their Benefits

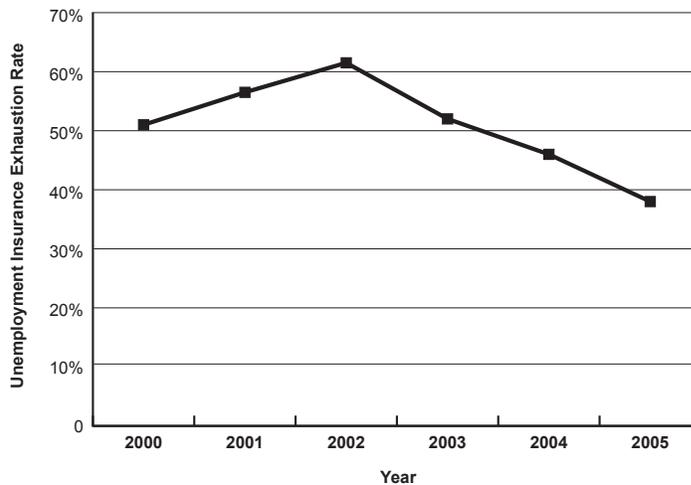
While unemployment has improved, those who have been unemployed for more than 26 weeks comprise a growing share of the total unemployed, rising from 8.9% of all unemployed in 2001 to 19.7% in 2005. It climbed from 17.5% in 2004. Texas' long-term unemployment share has now matched the national average of 19.6%.

Among unemployed workers:

- Males (22.4%) are more likely to be long-term unemployed than females (16.3%)
- African-Americans (24.9%) are more likely to be long-term unemployed than other ethnic groups
- (Over 55) Older workers (30.7%) are more likely than other age groups to be long-term unemployed

However, fewer Texas UI claimants are exhausting their benefits. Since 2002, the UI exhaustion rate has plummeted.

### Unemployment Insurance Exhaustion Rates in Texas, 2000-2005



Source: U.S. Department of Labor, 2006

The Texas UI exhaustion rate (38.1%) is identical to the national average in 2005.

## HOW MUCH ARE TEXAS WORKERS EARNING?

*Median Wage Lower Than National Average*

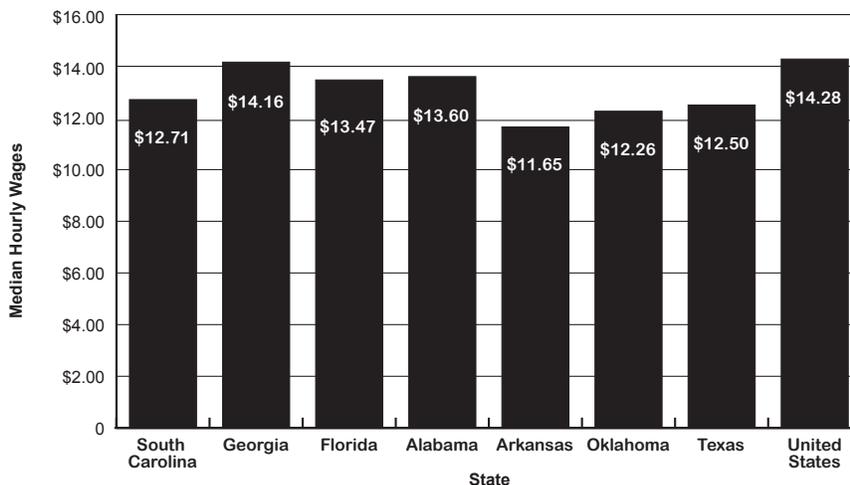
**Real Wage:** Hourly wage adjusted yearly for inflation

**Nominal Wage:** Hourly wage not adjusted for inflation

As of 2005, Texas' median hourly wage is \$12.50, \$1.78 less than the U.S. average.

Here's how Texas compares to the national average and several other states in the Southern region:

## Median Hourly Wages: Comparison Between Selected Southern States, 2005



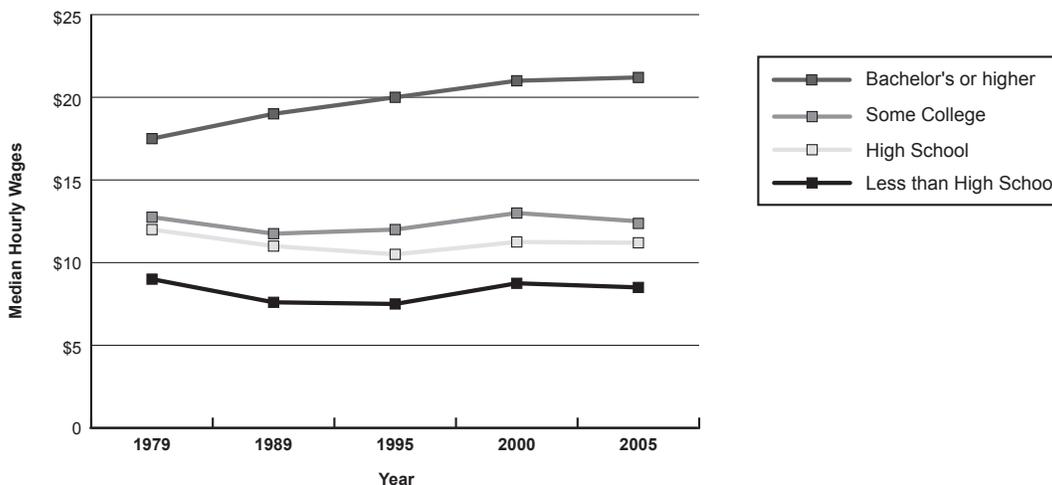
Source: Economic Policy Institute Analysis of Current Population Survey Data

### Wages Have Not Kept Up With Inflation

Texas incomes and wages have been stagnant over the past 25-30 years. Adjusted for inflation, median wages have only risen 0.5% in Texas. In contrast, U.S. wages have risen nearly 9% over this time period. Long-range wage growth depends heavily upon educational attainment. Since 1979, the only group to experience gains in real wages has been Texans with at least a bachelor's degree.

The following graph illustrates the downward or stagnant wage trend (adjusted for inflation) for most Texas workers since 1979.

## Median Hourly Wages in Texas, by Education Level, 1979-2005



Source: Economic Policy Institute Analysis of Current Population Survey Data

From 1995-2001, Texas median wages increased considerably, posting a 10.1% increase, adjusted for inflation. Since then, wage progression has become wage compression, as real wages have slipped 2.6%.

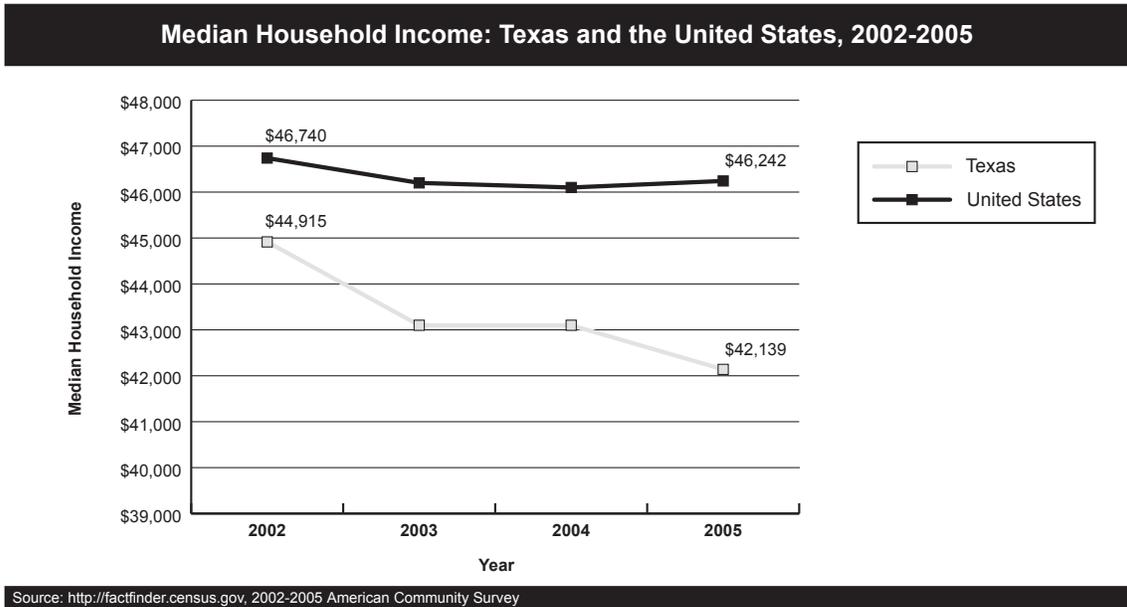
From 2004 to 2005, real wages declined more in Texas (-2%) than in the rest of the US (-1.2%); median wages for workers at all education levels declined relative to inflation. In fact, from 2004-2005, median wages for Texans with some college actually declined 1.0%, adjusted for inflation.

Texas' sluggish wage growth limits the ability of those individuals at or near the poverty level to work their way out of poverty. Texas' minimum wage (pegged to the federal rate of \$5.15/hour) hasn't been raised since 2001.

## Household Incomes Continue to Lose Ground to Inflation

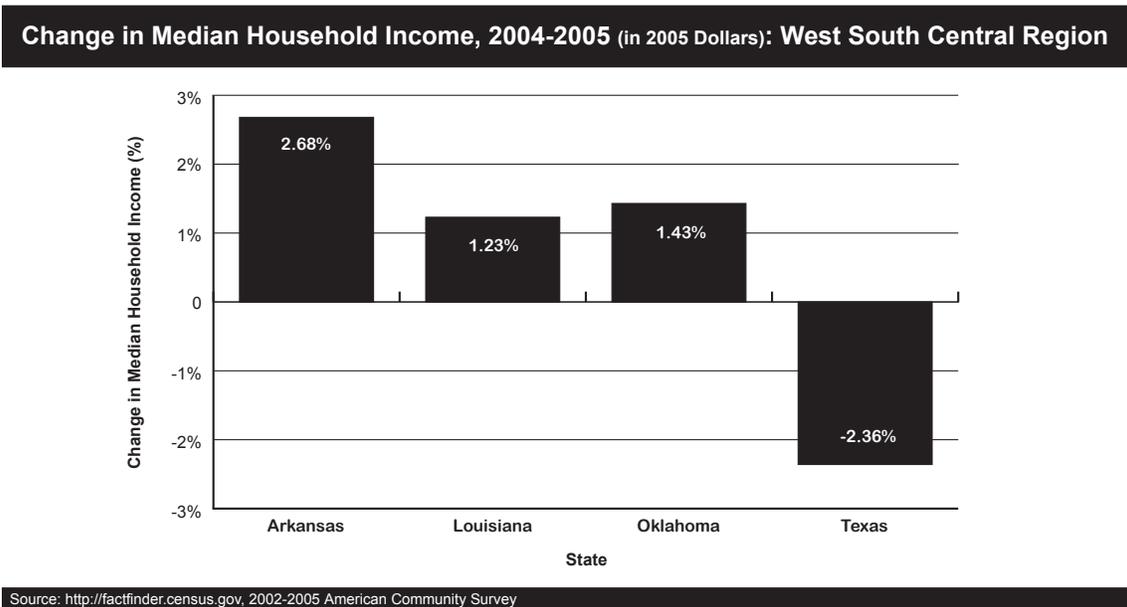
Texas' household income growth continues to lag behind the nation as a whole. Since 2002—the low point of the most recent recession—Texas' median household income has taken a steep dive, declining 6.2%, adjusted for inflation.

With rising household debt, reduced health coverage, and volatile energy prices, this statewide trend is cause for concern, placing living standards in Texas more at risk.



This decline represented the 3rd worst performance of any state during this period; only Arkansas and Alaska performed worse. In contrast to the Texas experience, real median household income actually rose in 12 states from 2002-2005.

Texas was the only state in the region to experience a real decline in median household income since the previous year.



Meanwhile, lack of health insurance coverage continues to pose challenges for the Texas economy and its workers. In fact, Texas has had the highest uninsured rate for the last 5 consecutive years, and 8 out of the last 10 years. Overall, nearly a quarter (24.2%) of all Texans are neither covered by private nor government insurance, compared to 15.9% for the nation as a whole. In addition to low health security, Texas working families are also confronting retirement insecurity, as the share of Texans with private employer-provided pension coverage sank to its lowest statewide level since 1990-1992. For 2002-2004, less than 40% of Texas workers were covered by private sector pensions, compared to a nationwide rate of 45.2%.

## Gender, Ethnicity, & Wages

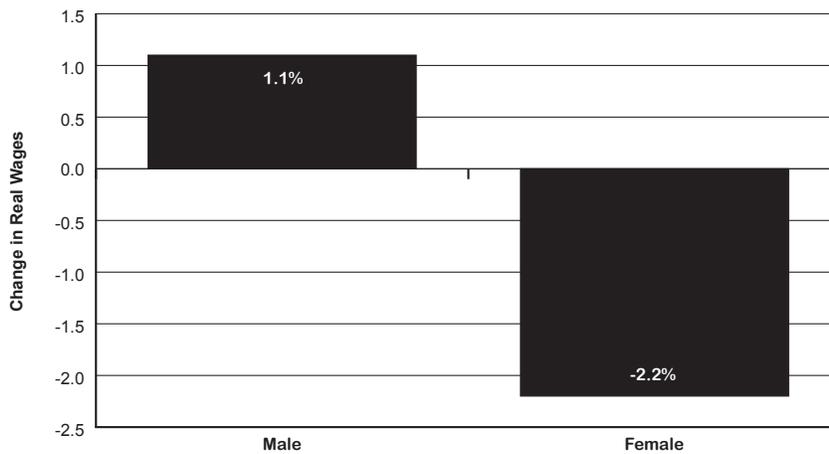
African-Americans in Texas had the most dramatic decline in wages of all ethnic groups—double the national average. Real wages for African-Americans real wages declined by 10.2% from 2004-05, compared to a drop of 4.5% for African-Americans in the U.S.

African-Americans have higher:

- Unemployment rates (10.6%, twice the state average);
- Likelihood of being long-term unemployed (24.6% long-term unemployment share, compared to 17% for Whites);
- Underemployment rates (15.6%);

Female wage earners were also hard hit. Female wage earners in Texas saw less wage growth than men over the past three years. From 2003-2005, their wages declined 2.2%, adjusted for inflation. During this same period, real female wages in Texas have grown slower (18.8%) than the national average (23.8%).

**Change in Texas Median (Real) Wages, by Gender, 2003-2005**



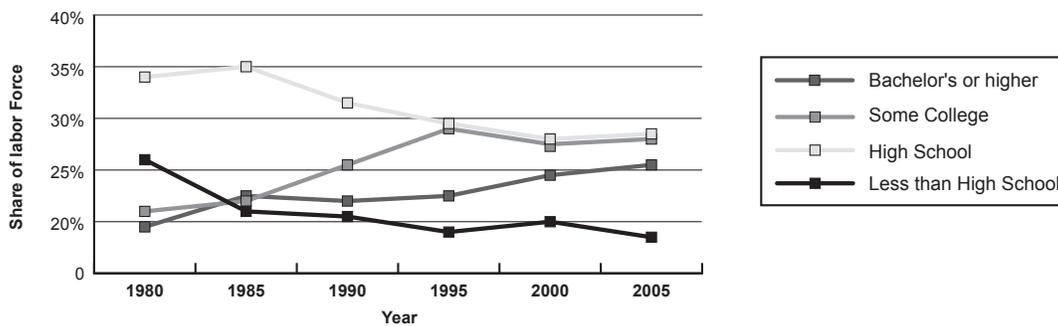
Source: Economic Policy Institute Analysis of Current Population Survey Data

During this same three-year period, Hispanics and Whites fared slightly better than their national counterparts. Texas Hispanic workers experienced no real wage growth (0.0%), compared to a 1.5% national decline in Hispanic real wages. Whites, or Anglos, saw their real wages decline by 0.6%, slightly better than the 1.5% national decline for Whites from 2003-05.

## HIGHER EDUCATIONAL ATTAINMENT IS THE KEY TO ECONOMIC DEVELOPMENT

The Texas workforce has shown higher levels of education. Since 1980, more college-educated workers are part of the Texas labor force, as the share of “less than high school” workers has declined. Recently, however, college attainment has begun to level off.

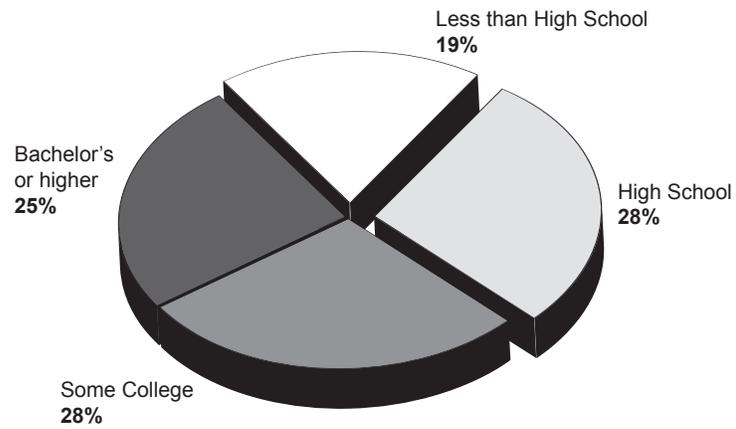
**Texas Labor Force, by Level of Education, 1980-2005**



Source: Economic Policy Institute Analysis of Current Population Survey Data

Texas continues to face significant challenges in increasing the number of Texas workers with at least some college education. Below is a chart illustrating the labor force, by education level:

## Texas Labor Force by Education Level, 2006



Source: Economic Policy Institute Analysis of Current Population Survey Data

As education levels go down:

- Unemployment goes up
- Labor force participation goes down
- Involuntary part-time work goes up
- Underemployment goes up (underemployment includes unemployed, marginally attached workers, and involuntary part-time workers as a share of the civilian labor force and marginally attached workers)



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