

Dip May Reflect Decline in Education

Although North Texas' economy has been growing much faster than the nation's for more than two years, the region's median household income fell in 2005, while the U.S. as a whole held steady.

Falling income during an expansion is unusual, but the decline probably reflects fewer years of schooling among new residents, rather than lower earnings for existing workers.

Adjusted for inflation, North Texas' median household income dropped \$1,084, or 2.1 percent, from \$51,419 in 2004 to \$50,335 in 2005 (*Table 1*).¹ The state's household income fell at a similar rate, slipping \$1,033, or 2.4 percent. Meanwhile, the nation didn't see much change—with income increasing \$46, or 0.1 percent.

Despite last year's decline, North Texas' median income remains substantially higher than the state's and the nation's. This is partly due to the area's high share of college-educated adults—31.5 percent (*Table 2*).

Although wages and salaries make up the bulk of the income measure, it also includes money from self-employment, interest and dividends, Social Security, public assistance and other sources.

The median is the midpoint of the income distribution. Half of households have income below it and half above it. Economists usually prefer the median to the mean, or average, which can be distorted by such factors as a handful of households with very high incomes.

Table 2
Population and Educational Attainment

	Population	Population growth (percent)	At least high school diploma (percentage of population 25 years+)		At least bachelor's degree (percentage of population 25 years+)	
			2004	2005	2004	2005
North Texas	5,063,300	1.9	82.4	81.8	32.5	31.5
Texas	22,270,165	1.6	78.7	78.8	25.6	25.1
U.S.	288,378,137	.9	83.9	84.2	27.0	27.2

SOURCE: American Community Survey.

Median income can rise or fall because of changes in existing households' incomes or changes in the population of households. The latter is usually the result of in-migration and leads to changes in household characteristics.

Paychecks do not appear to be the key factor in North Texas' declining incomes in 2005. Real median earnings held steady—good news, given that they fell 1.1 percent in the U.S. and 3.5 percent in Texas.²

That leaves household characteristics. Educational attainment fell slightly in North Texas in 2005. The share of the adult population with at least a high school diploma slipped from 82.4 percent to 81.8 percent (*Table 2*). Those with at least a bachelor's degree declined from 32.5 percent to 31.5 percent. Nationally, the percentages of both groups rose slightly in 2005.

Migration can affect income statistics, particularly if the newcomers differ significantly from the existing population. High population growth rates combined with falling education rates suggest this may be happening in North Texas.

The region's population jumped 1.9 percent in 2005, more than double the U.S. growth of 0.9 percent. North Texas' population gains include transplants from other countries and states; in both cases, a substantial fraction of migrants are foreign-born. About a third of U.S. immigrants lack a high school degree, making it likely that high

rates of in-migration to our region have pushed down overall education levels.

Because education and income are highly correlated, these changes may be showing up in lower total income.

Healthy job growth and low living costs will continue attracting U.S. and foreign-born workers to North Texas. This is a positive trend as new workers complement the highly skilled existing labor force, producing goods and services that are in growing demand. More disconcerting and difficult to explain is the wage stagnation suggested by the declining real median earnings of workers at the national level.

—Anna Berman and Pia Orrenius

Table 1
Real Median Household Income

	2004	2005	Percentage change
North Texas	\$51,419	\$50,335	-2.1
Texas	\$43,172	\$42,139	-2.4
U.S.	\$46,196	\$46,242	.1

NOTES: North Texas numbers are based on American Community Survey data for Collin, Dallas, Denton and Tarrant counties, weighted by population. All income is in 2005 dollars.

SOURCE: American Community Survey.

Notes

¹ Income is from the American Community Survey (ACS), which provides detailed, annual data at the county level. In 2005, the survey was based on a sample of about 3 million households. ACS data cover topics similar to those on the long-form federal census taken every 10 years, including demographic, social and economic indicators.

² Firm-based data suggest no change in average earnings in Texas in 2005, while Current Population Survey data on median earnings show a decline. See "Two Views on How Texans Are Doing," by Pia Orrenius and Anna Berman, *Southwest Economy*, May/June 2006, p. 10.