



Employment Growth and Labor Market Polarization in the U.S. and Texas

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How Exceptional is Texas Job Growth?

- State employment typically grows at twice the national rate
 - But what kind of jobs are being created?
- Labor market polarization
 - Share of middle-skill jobs declining while the shares of low, high-skill jobs rising
 - Slower real wage growth in mid-skill jobs
 - Contributing to rising income inequality
- Question
 - Are labor markets polarizing in Texas?



Texas No Exception to Factors Driving Polarization

- Primarily due to technological change
 - Automation of mid-skill jobs
 - Routine jobs with repetitive, well-defined processes are most affected
- Other factors
 - Offshoring
 - Slowing expansion of supply of highly educated workers
 - Declining unionization
 - Erosion of the minimum wage



Where Are the Jobs Created?

- Data: Census and American Community Survey
- Pick a base period, 1979
 - Construct wage quartiles and hold them fixed in real terms
- Pick an end period, 2011
 - Measure how employment has changed in each quartile
 - Both number of jobs (percent change) and share of jobs



Wage Quartiles in the 1980 Census

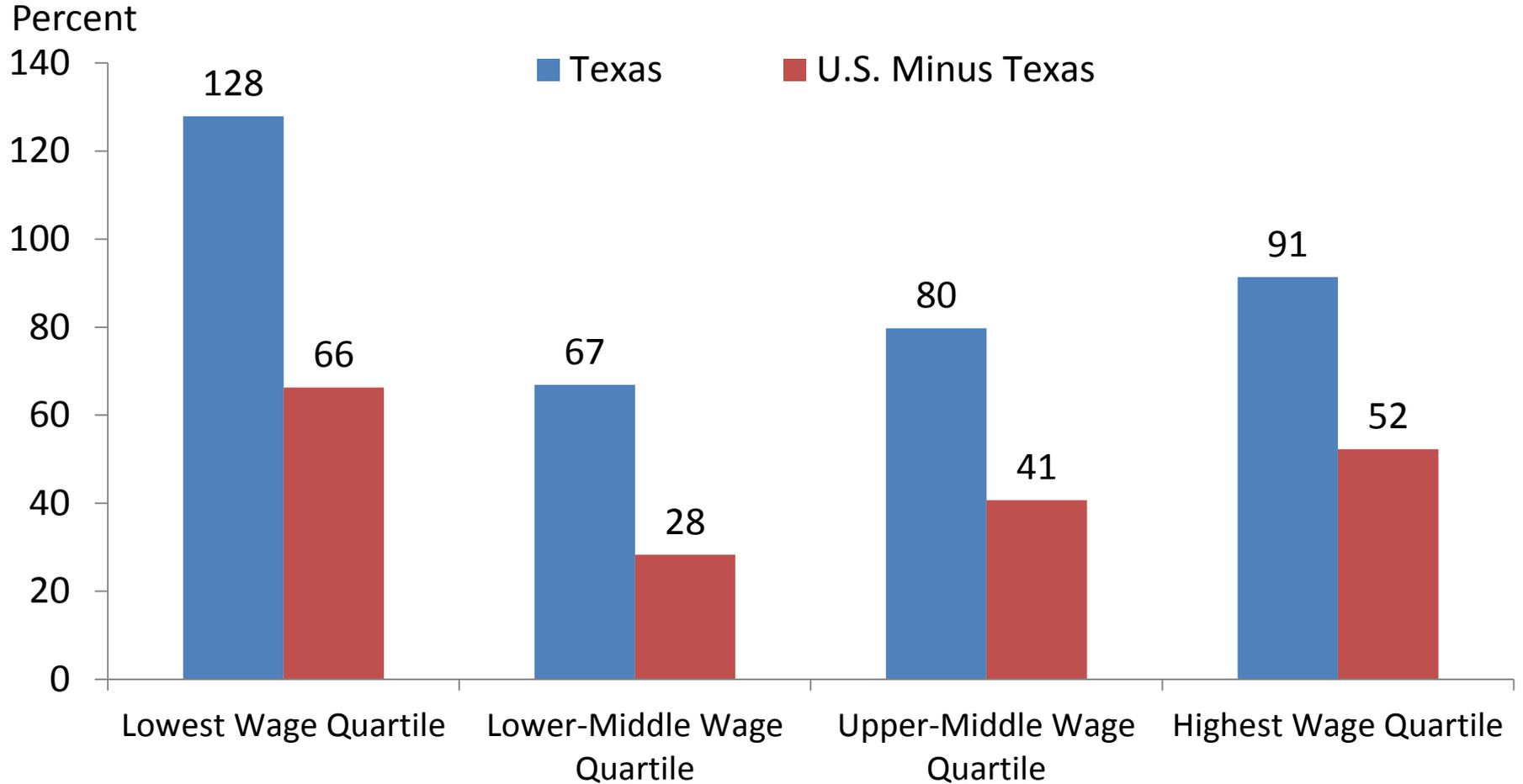
Wage Quartile	Hourly Wages for U.S.	Hourly Wages for Texas
Lowest	Less than 11.23	Less than 10.50
Lower-Middle	11.23 – less than 17.15	10.50 – less than 16.04
Upper-Middle	17.15 – less than 26.25	16.04 – less than 25.28
Highest	26.25 and up	25.28 and up

NOTE: Values are expressed in real 2011 dollars.

SOURCE: 1980 Census.



Employment Growth 1979-2011

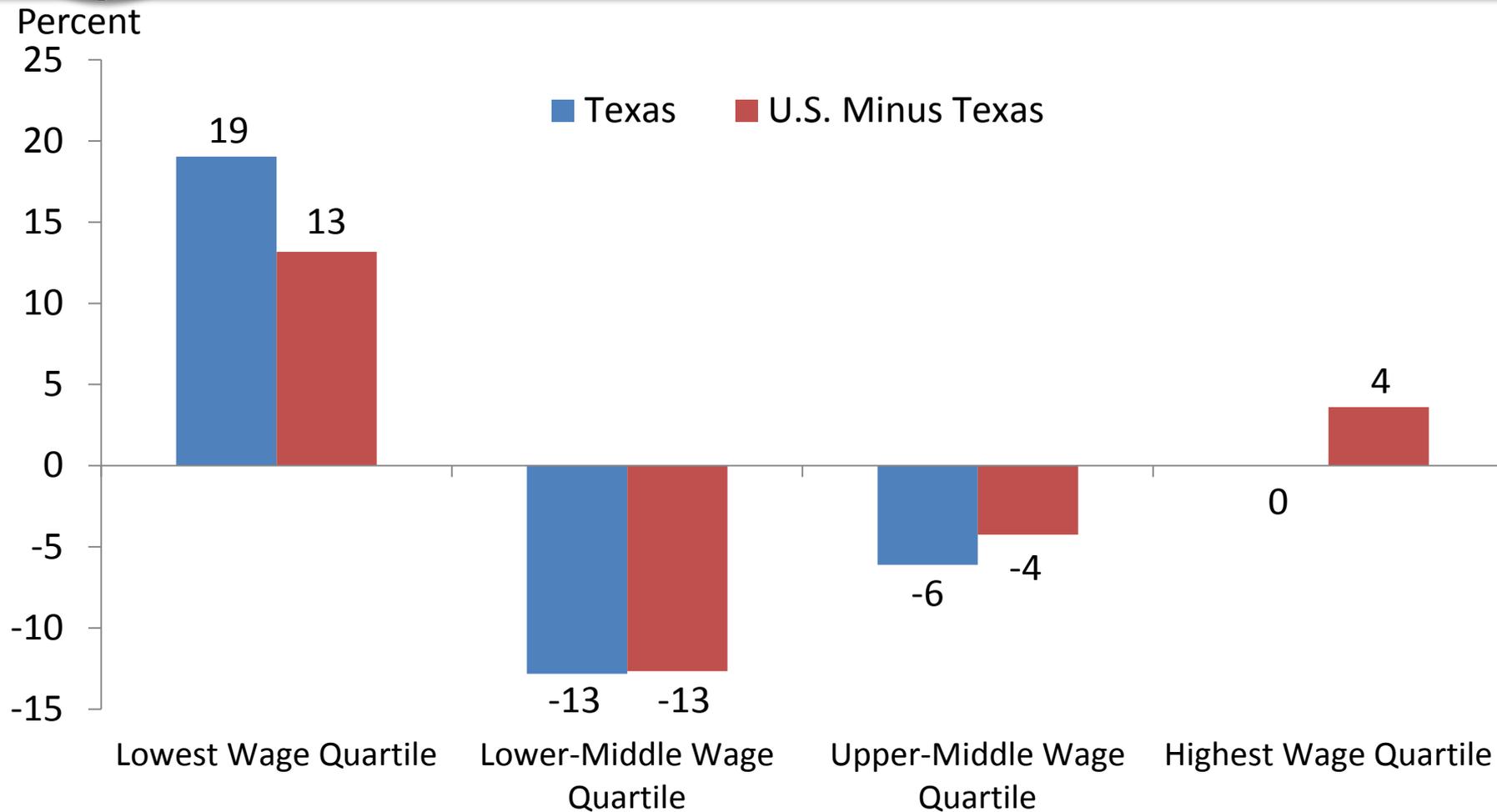


NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed. Quartiles based on 1980 decennial census, which refers to 1979 wages.

SOURCE: 1980 Census, 2012 American Community Survey.



Change in Employment Share for all Workers (1979-2011)

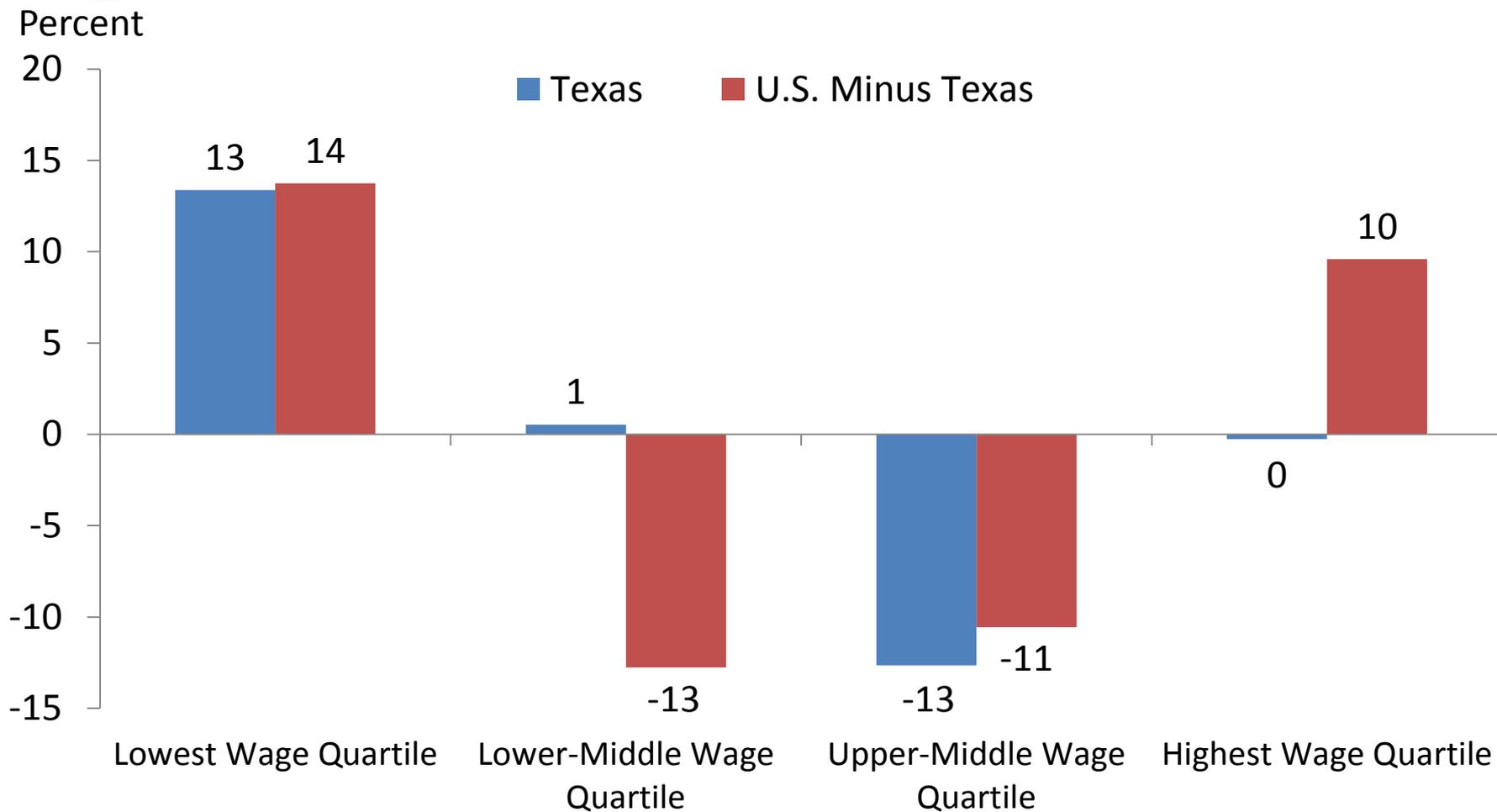


NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed. Quartiles based on 1980 decennial census, which refers to 1979 wages.

SOURCE: 1980 Census, 2012 American Community Survey.



Change in Employment Share for Full-Year, Full-Time Workers

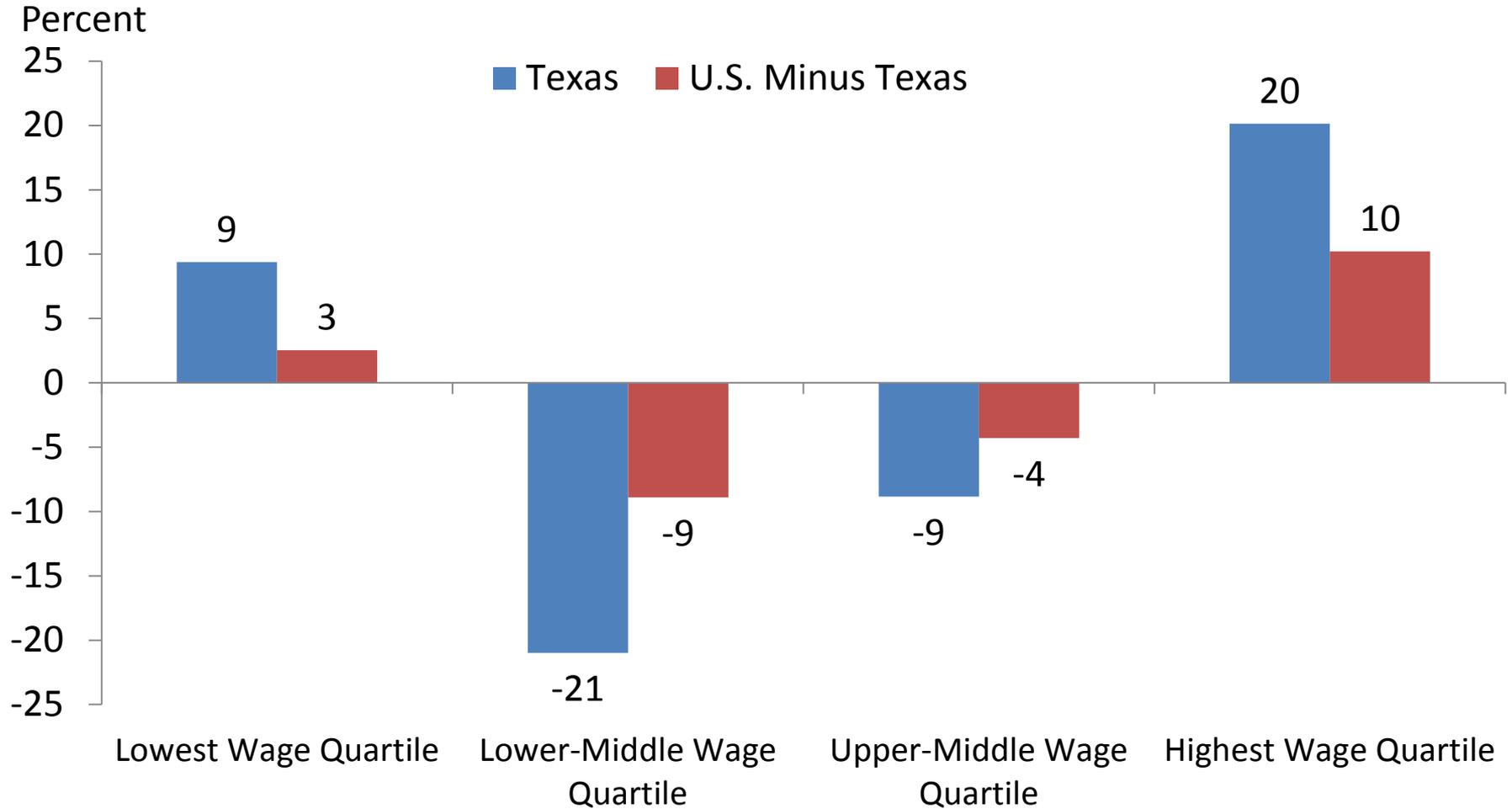


NOTE: Calculations include workers over age 15 with positive wages. Quartiles based on 1980 decennial census, which refers to 1979 wages.

SOURCE: 1980 Census, 2012 American Community Survey.



Change in Employment Share without Recession (1979-2006)



NOTE: Calculations include workers over age 15 with positive wages. Quartiles based on 1980 decennial census, which refers to 1979 wages.

SOURCE: 1980 Census, 2007 American Community Survey.

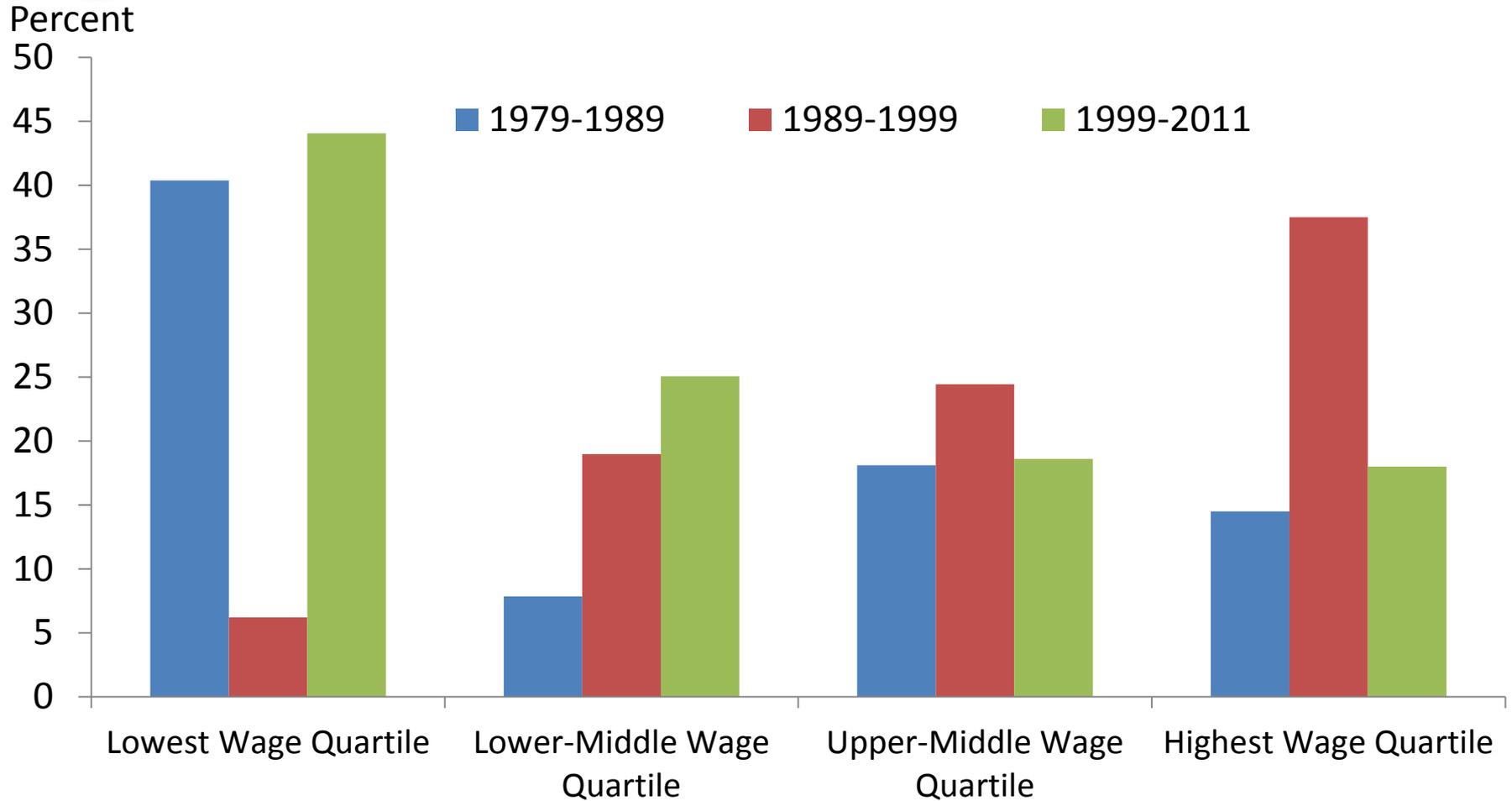


A Closer Look at Texas Job Growth

- How has pattern of job growth varied over decades?
- How does Texas compare with other large states?



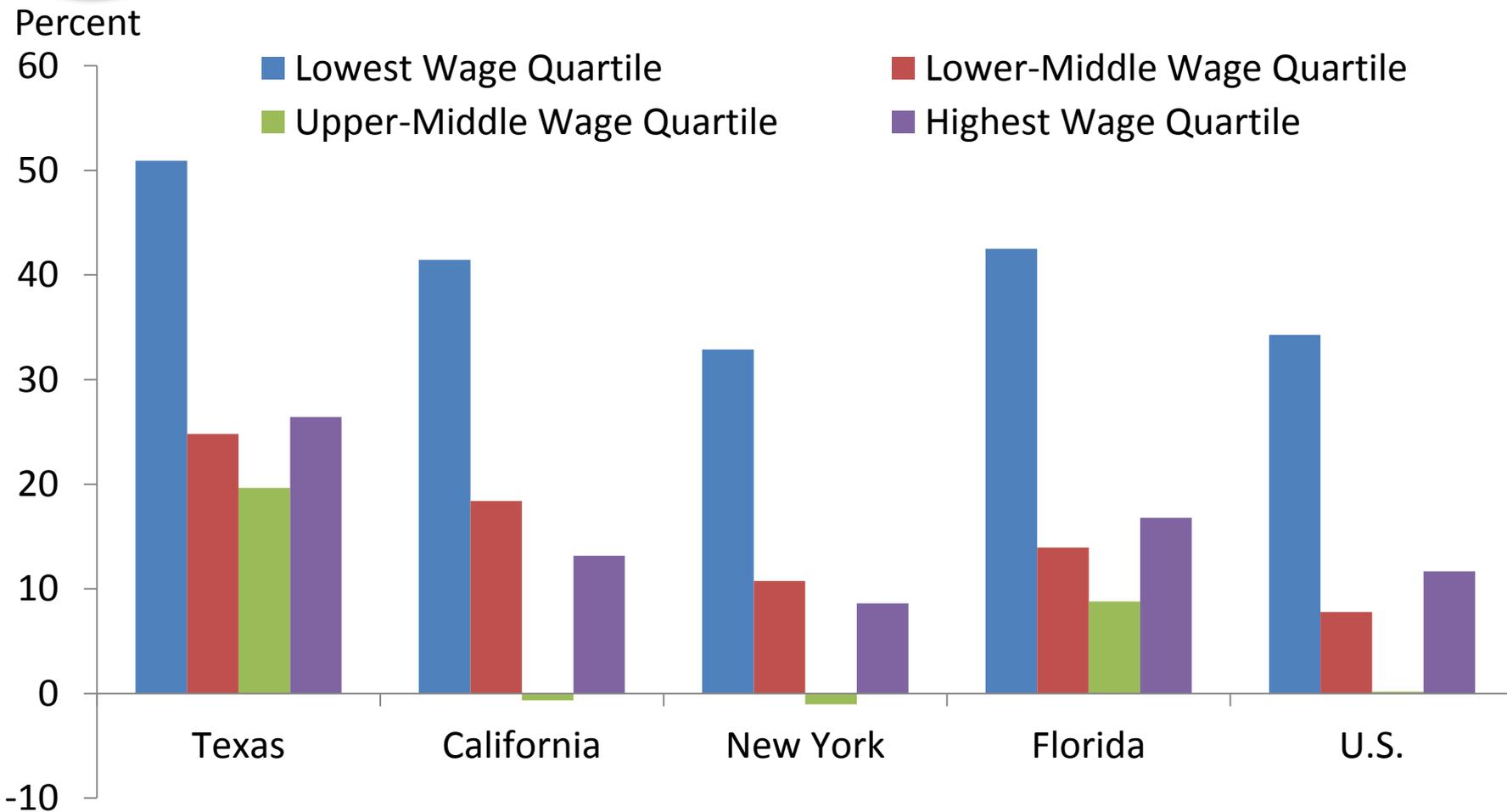
Job Growth by Decade in Texas



NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed. Quartiles based on Texas wage distribution in the 1980 decennial census, which refers to 1979 wages. Growth in 1999-2011 is multiplied by 10/12 for comparability. SOURCE: 1980, 1990 and 2000 Census, 2012 American Community Survey.



Job Growth by Wage Quartile for Large States, 1999-2011



NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed. Quartiles based on wage distribution for the entire U.S. in the 2000 decennial census, which refers to 1999 wages.

SOURCE: 2000 Census, 2012 American Community Survey.



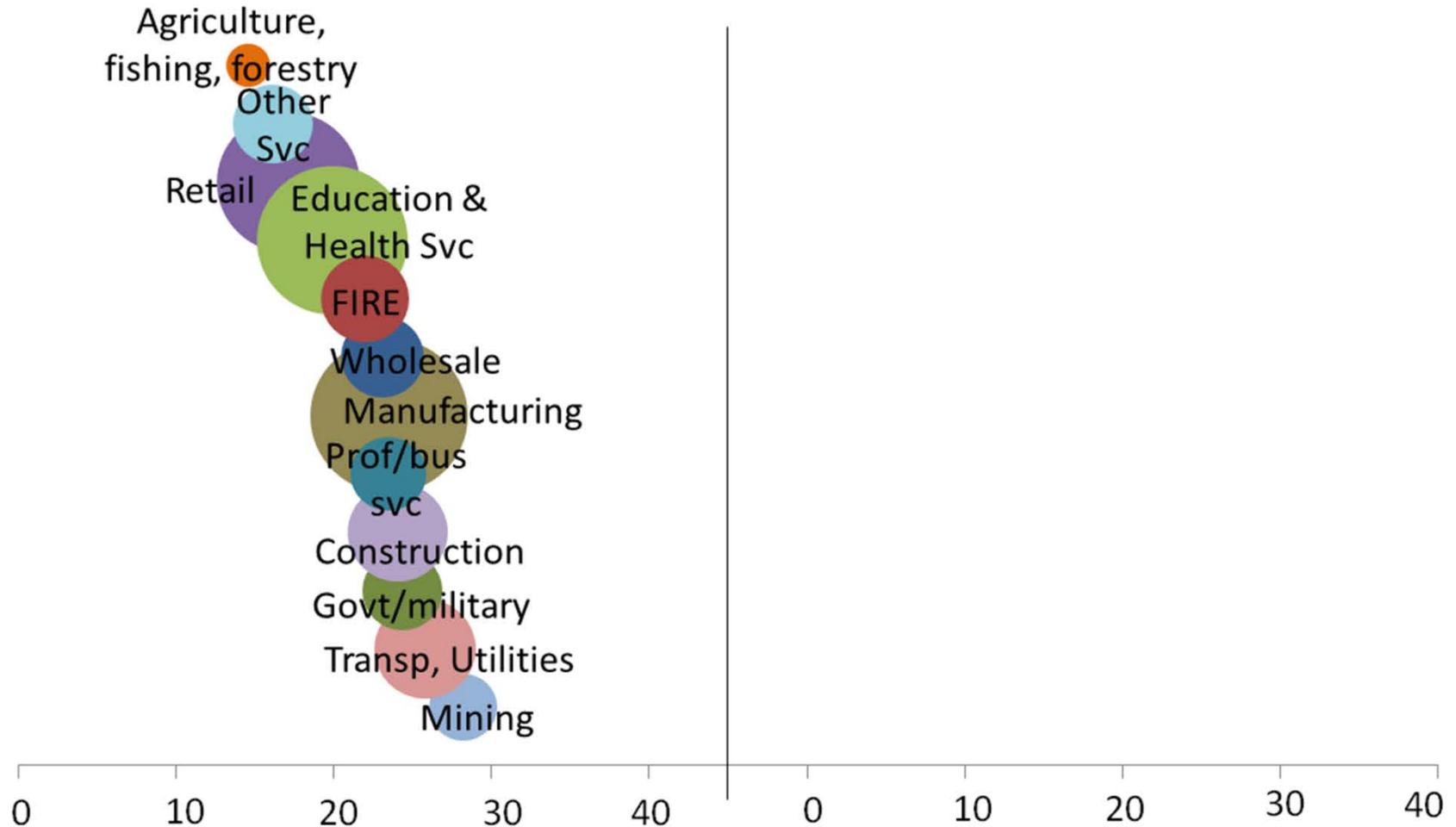
Job and Wage Growth by Industry

- Relative to the extremes of the skill distribution
 - Employment shares in middle declining
 - Wages growing slowest in the middle
- How are these changes reflected in job and wage growth by major industries?



Texas: Wage Disparity across Industries

1979



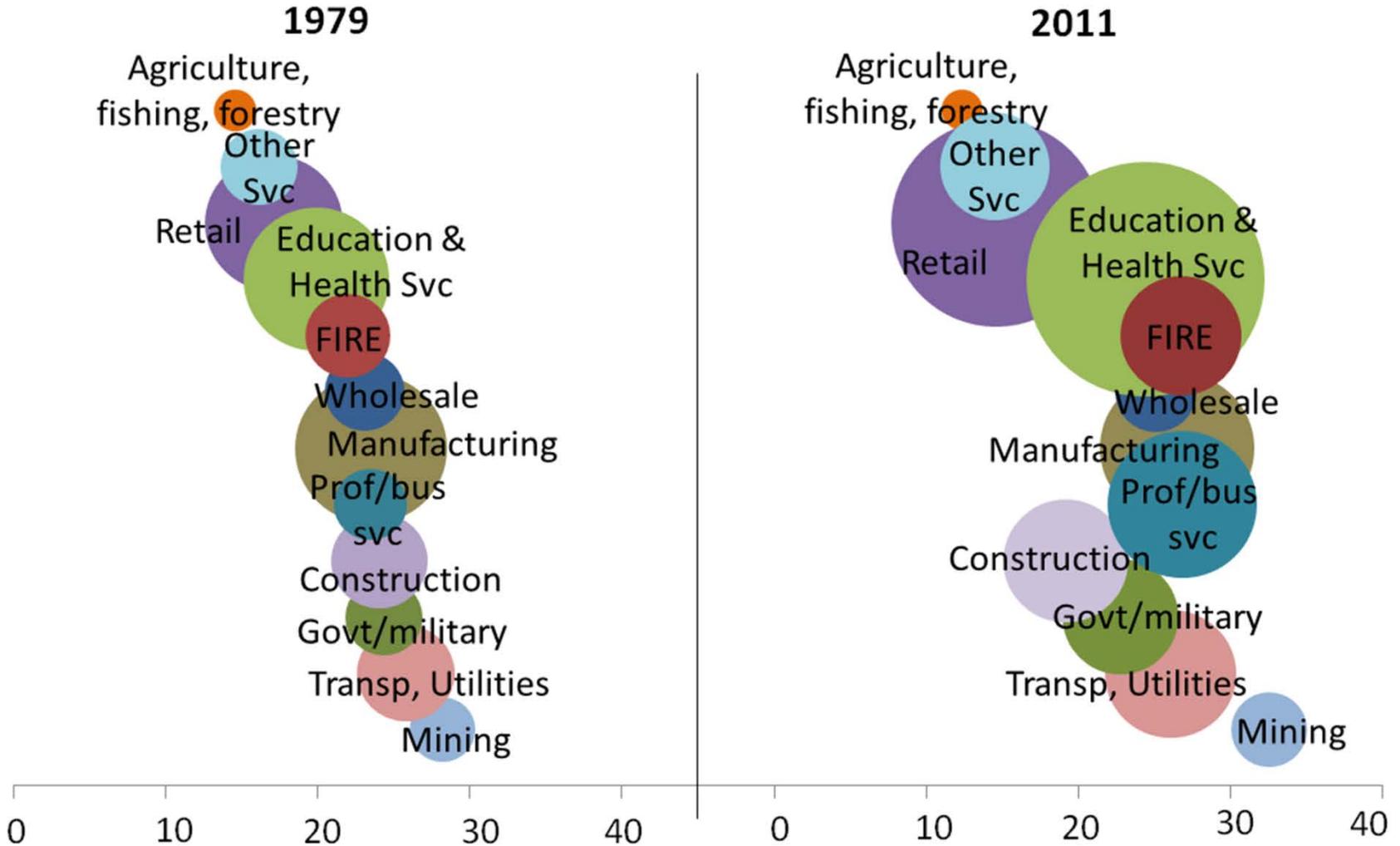
NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed.

SOURCE: 1980 Census, 2012 American Community Survey.

Industry Mean Wage



Texas: Jobs Grow but so does Wage Disparity

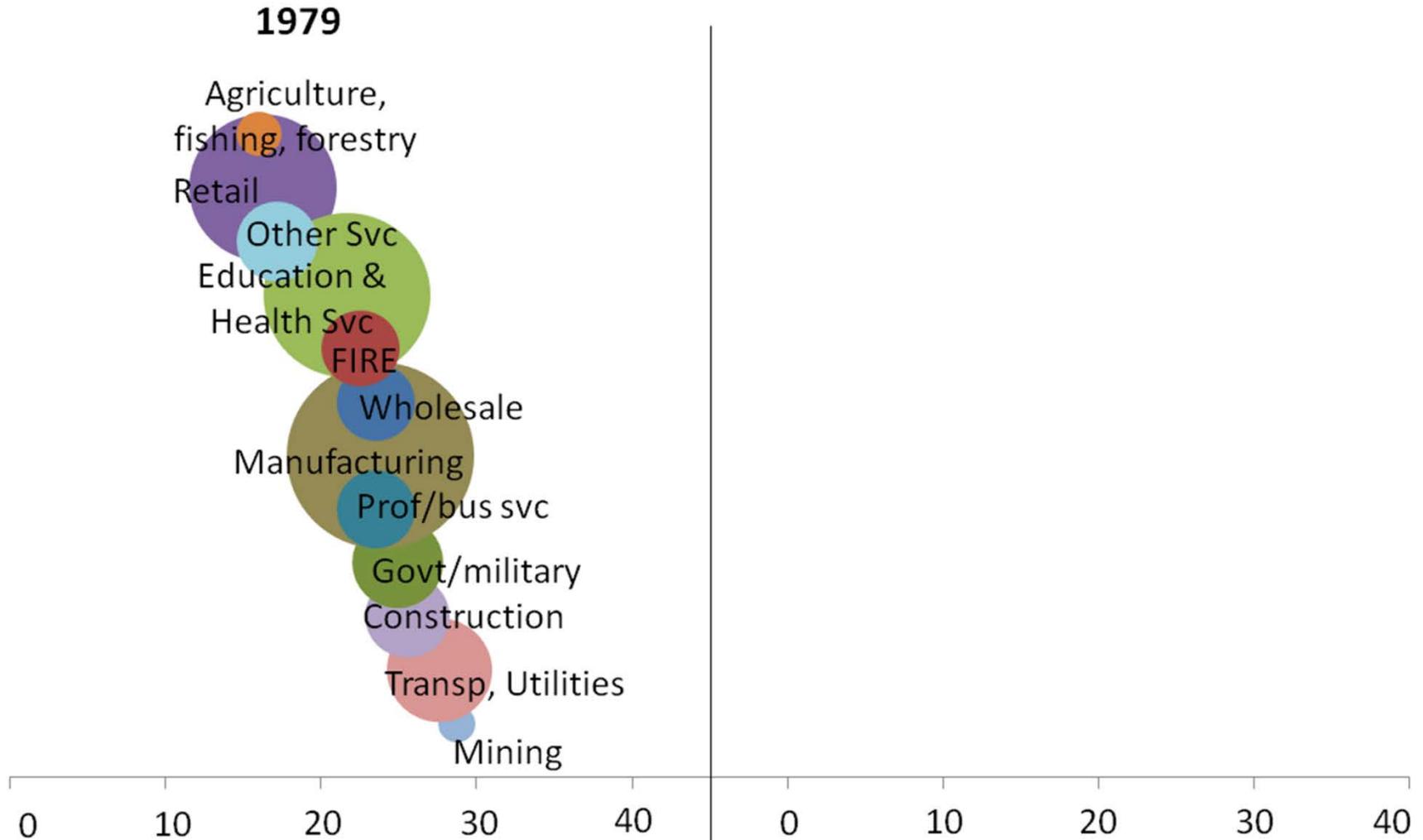


NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed.

SOURCE: 1980 Census, 2012 American Community Survey.



Rest of US: Wage Disparity across Industries



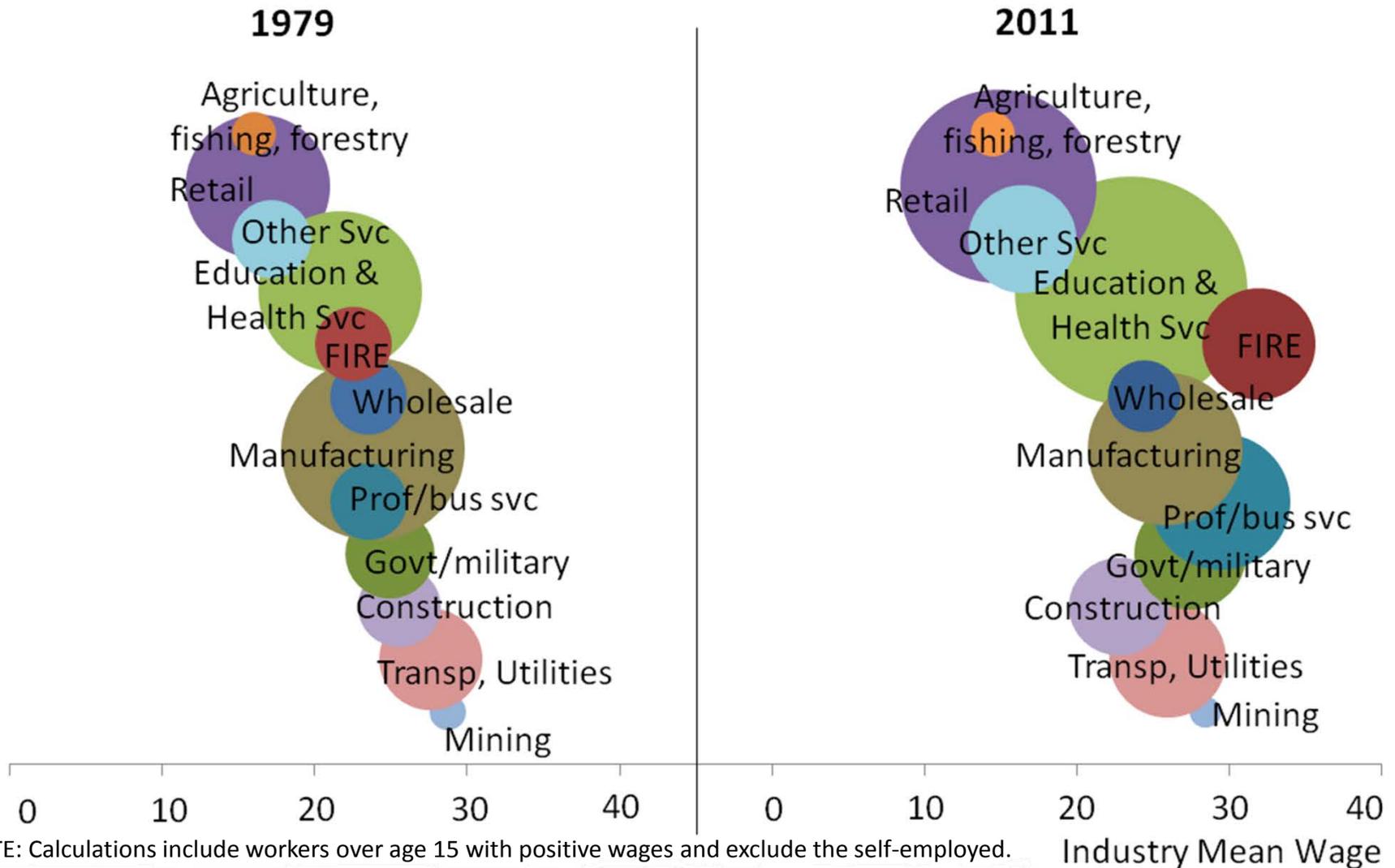
NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed.

SOURCE: 1980 Census, 2012 American Community Survey.

Industry Mean Wage



Rest of US: Jobs Grow but so does Wage Disparity



NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed.

SOURCE: 1980 Census, 2012 American Community Survey.



Conclusions

- Exceptional job growth in Texas
 - But Texas no exception to polarization trend
- Way forward?
 - More recent evidence suggest high-wage job growth has picked up in Texas
 - Could be temporary (oil boom)
 - Long run? Stay tuned for the outlook panel