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

<table>
<thead>
<tr>
<th>Wage Quartile</th>
<th>Hourly Wages for U.S.</th>
<th>Hourly Wages for Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>Less than 11.23</td>
<td>Less than 10.50</td>
</tr>
<tr>
<td>Lower-Middle</td>
<td>11.23 – less than 17.15</td>
<td>10.50 – less than 16.04</td>
</tr>
<tr>
<td>Upper-Middle</td>
<td>17.15 – less than 26.25</td>
<td>16.04 – less than 25.28</td>
</tr>
<tr>
<td>Highest</td>
<td>26.25 and up</td>
<td>25.28 and up</td>
</tr>
</tbody>
</table>

**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.
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.

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.

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.

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.

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.
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

NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed.
Texas: Jobs Grow but so does Wage Disparity

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

Rest of US:
Wage Disparity across Industries

1979

Agriculture, fishing, forestry
Retail
Other Svc
Education & Health Svc
FIRE
Wholesale
Manufacturing
Prof/bus svc
Govt/military
Construction
Transp, Utilities
Mining

NOTE: Calculations include workers over age 15 with positive wages and exclude the self-employed.
Rest of US:
Jobs Grow but so does Wage Disparity

1979
Agriculture, fishing, forestry
Retail
Other Svc
Education & Health Svc
FIRE
Wholesale
Manufacturing
Prof/bus svc
Govt/military
Construction
Transp, Utilities
Mining

2011
Agriculture, fishing, forestry
Retail
Other Svc
Education & Health Svc
FIRE
Wholesale
Manufacturing
Prof/bus svc
Govt/military
Construction
Transp, Utilities
Mining

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