



The Texas Model: 2014 Q3 Employment Update

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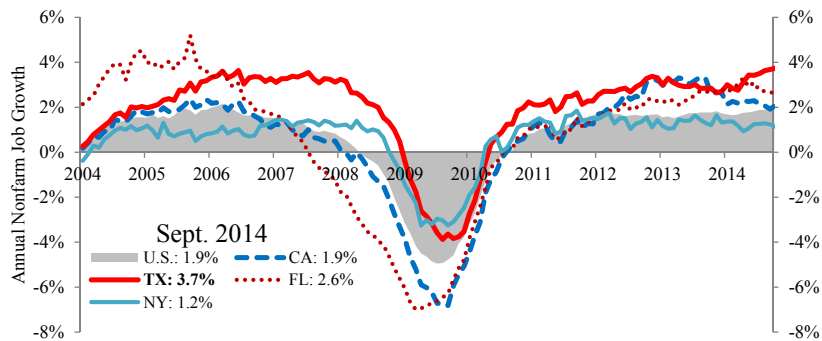
This policy brief highlights multiple labor market measures through the third quarter of 2014 comparing them among the four largest states in terms of population and economic output—California, Texas, New York, Florida—and national averages.¹ These data show that the Texas miracle of remarkable job creation and prosperity for all Texans, including the neediest among us, continues to be propelled by a pro-growth governing philosophy. To sustain this success, the 84th Texas Legislature should improve on the state’s model of advancing individual opportunity by further limiting the footprint of government.

During the 12-month period through September 2014, Texas employers created a record 414,700 net nonfarm jobs—an average of 34,558 per month. **Figure 1** shows that these job gains increased the annual job growth rate to a rapid 3.7 percent, which has been accelerating during the 3rd quarter elevating it above those rates of the national average and other large states. Excluding government jobs, private sector job growth expanded in all industries by a stunning 4 percent in the same period.

Key Points

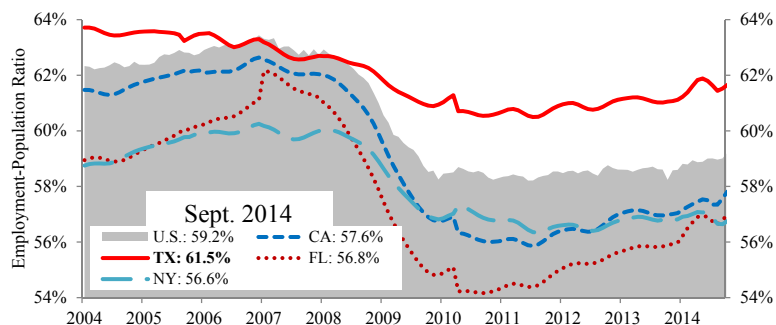
- The Texas miracle of remarkable job creation continues to provide opportunities for all Texans, especially the neediest among us, to prosper.
- Since the start of the last national recession, Texas has carried the job creation load for the rest of the nation.
- The 84th Texas Legislature should improve on the state’s model of advancing individual opportunity by further limiting the footprint of government.

Figure 1: Texas Miracle—Faster Job Growth than the National Average and Other Large States



While the national unemployment rate average declined to 5.9 percent in September 2014 from 7.2 percent the year before, this was driven partially from accelerating job growth and more people dropping out of the labor force nationwide. However, during the same period, Texas’ labor force participation rate remained essentially unchanged but rapid job growth led to a 1.1 percent fall in its jobless rate to 5.2 percent, marking the 93rd consecutive month this rate was at or below the national average.

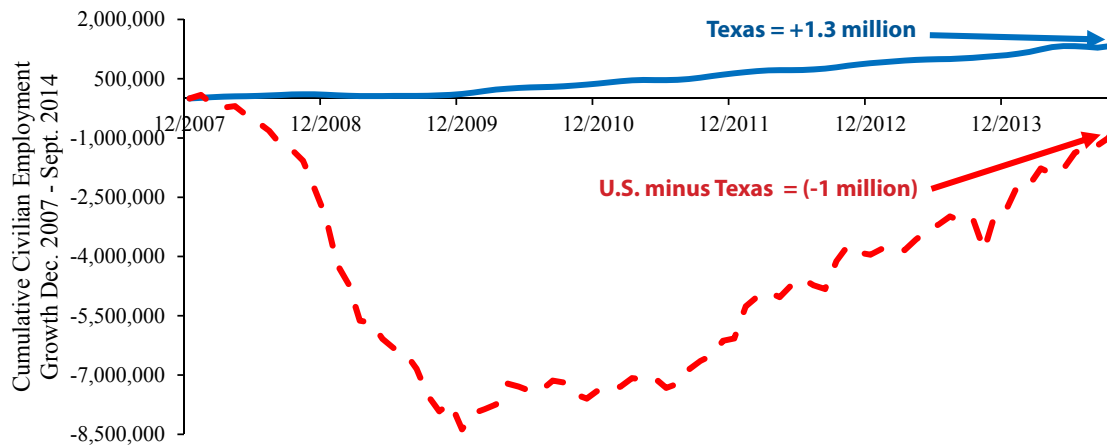
Figure 2: Larger Share of Texas Population Employed



Since the unemployment rate may not be the best measure to assess these labor markets because of the volatility of the labor force, **Figure 2** provides a comparison of employment-population ratios. While the other states and the national average have an employment-to-population ratio far below their level before the start of the last national recession in December 2007, this ratio in Texas barely budged lower and is nearing its 2004 level. This shows that people dropping out of the labor force do not drive the drop in the unemployment rate in Texas; it's primarily from healthy job creation.

To expand on how truly impressive the Texas miracle has been, **Figure 3** shows that in Texas there are 1.3 million *more* total civilians employed in September 2014 than in December 2007; however, the rest of the U.S. employed 1 million *fewer* than the pre-recession level. While job creation is improving nationwide, people in many places are struggling to find jobs relative to the spectacular job creation in Texas.

Figure 3: The Texas Miracle Carries the Load for the Rest of the Nation in Total Civilian Job Creation Since the Start of the Last National Recession



Poverty isn't reduced by receiving more government welfare or earning an artificially higher legal minimum wage. Poverty is reduced by having a job. Understanding this, Texas legislators should improve the job creation climate and increase opportunities for all Texans to prosper by eliminating the state's costly, complex business (margin) tax; effectively limiting state spending growth by reforming the tax and expenditure limit; and creating the sales tax relief (STaR) fund to slow spending growth while cutting the state's sales tax rate. These steps would contribute to the continuation of the Texas miracle. ★

¹ Data throughout the brief are seasonally adjusted from the U.S. Bureau of Labor Statistics through the November 2014 regional and state employment report to account for data revisions.

