



## The Texas Model: 1st Quarter 2015 Employment Update

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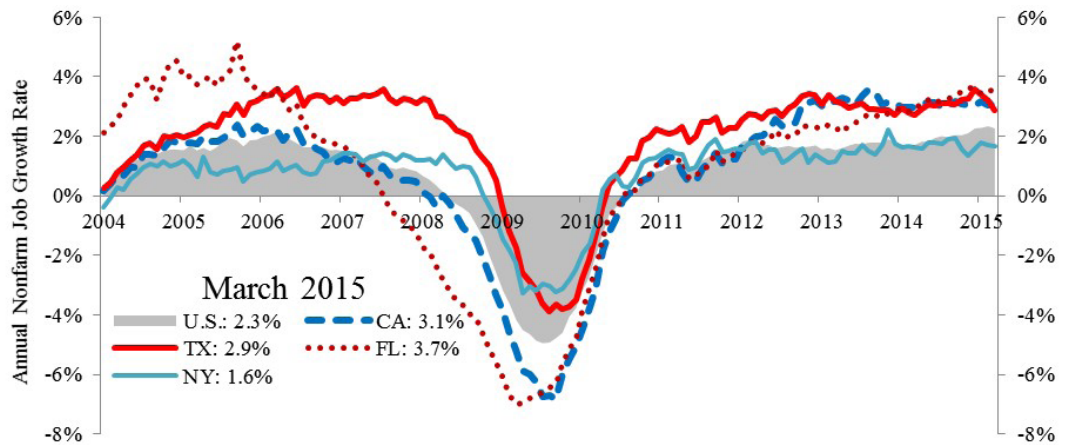
This policy brief highlights multiple labor market measures through the first quarter of 2015 and compares them with the four largest states in terms of population and economic output—California, Texas, New York, Florida—and national averages.<sup>1</sup> Despite a highly diversified economy, headwinds related to a prolonged drop in oil prices and a strong U.S. dollar slowed job creation in the first quarter. Given these impediments to job growth, the 84th Texas Legislature should bolster the Texas model by restraining spending while providing historic tax relief.

### Key Points

- Given impediments to job creation, the 84th Texas Legislature should bolster the Texas model by restraining spending while providing historic tax relief.
- Since the start of the Great Recession, Texas employs two and a half times more people than the rest of the nation combined.
- March 2015 marked a phenomenal run of 99 consecutive months when Texas' unemployment rate was at or below the national average.
- Texas legislators should improve on the state's model of advancing individual opportunity by further limiting the footprint of government.

There are indications of slowing job creation with the first quarter monthly average declining to 1,233 including a 25,400 decline in March—the first decline in more than four years. This on the heels of 2014 when there were 33,950 net jobs added per month. Figure 1 below shows that these slower job gains in the first quarter decreased the annual job growth rate to 2.9 percent, which is below the 3.6 percent high at the end of 2014 but still well above the national average. After recent revisions to the labor force data by the U.S. Bureau of Labor Statistics, other states' job growth rates caught up to Texas after delaying their start to positive job creation after the Great Recession for years.

**Figure 1: Remarkable 53 Consecutive Months of Job Creation in Texas Until March**



While the national unemployment rate average declined to 5.5 percent in March 2015 from 6.7 percent the year before, this was driven from accelerating job growth and little change in the labor force. Texas' labor force participation rate remained essentially unchanged during the same period but rapid job growth led to a decline in the unemployment rate by 1.1 percentage points to 4.2 percent. March marked a phenomenal run of 99 consecutive months when Texas' unemployment rate was at or below the national average.

Since the unemployment rate may not be the best measure to determine the status of a labor market because people start and stop their job search for a variety of reasons, Figure 2 pro-

vides employment-population ratios that present another picture of the labor market. While the other states and the national average have a ratio far below their pre-Great Recession level, Texas' ratio nudged lower in March but remains closer to its 2008 level compared with others.

**Figure 2: Texas' Employed Population Near the Pre-Great Recession Level**

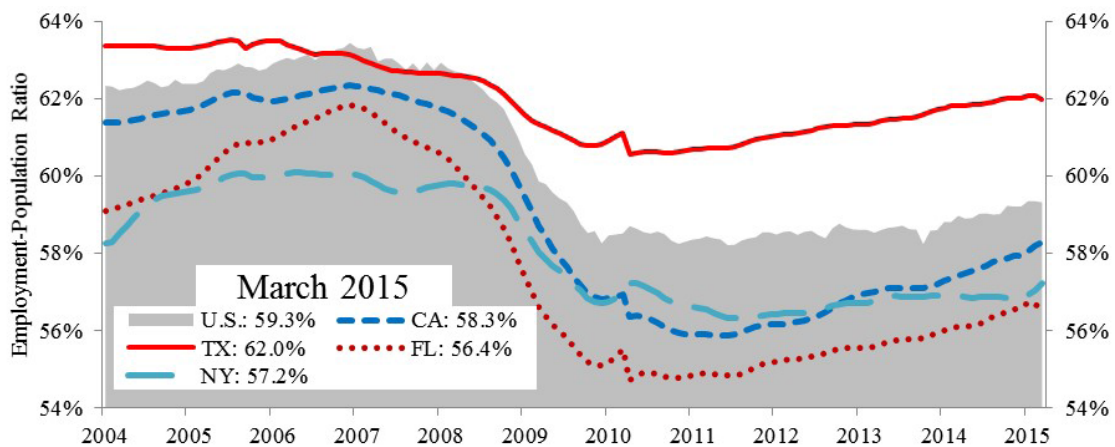
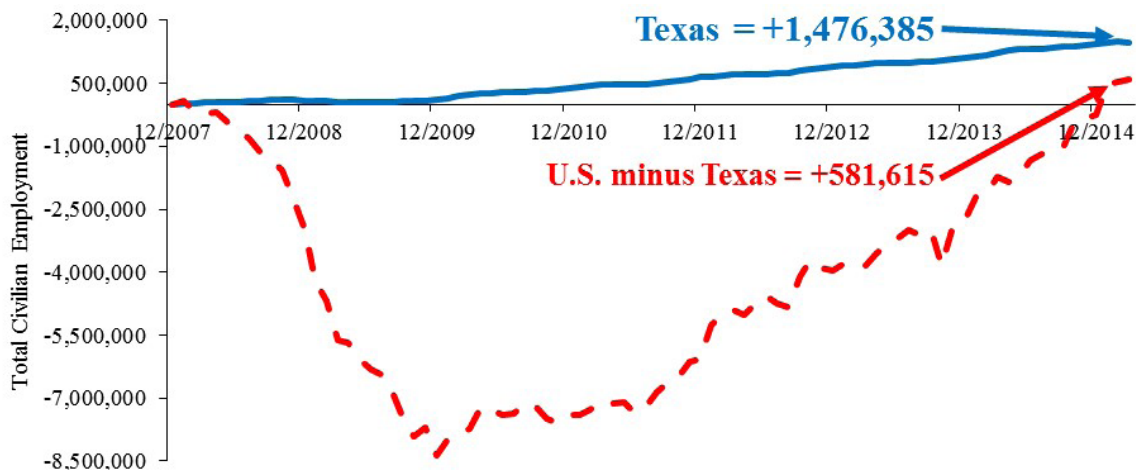


Figure 3 shows that Texas employs an impressive two and a half times more people since December 2007 than the rest of the nation combined. While job creation is improving nationwide, people in many places are struggling to find jobs relative to the spectacular job creation in Texas.

**Figure 3: Texas, America's Job Creation Engine Since December 2007**



As sustained lower oil prices and an appreciated U.S. dollar slow the oil and gas sector and exports, Texas legislators should improve the job creation climate and increase opportunities for all Texans to prosper by eliminating or phasing out the state's onerous business franchise tax. This type of measure has broad support as both the House and Senate are proposing historic tax cuts that include large franchise tax cuts. Research studies show that the largest economic boost to personal income and private sector job creation would come from eliminating this costly tax.

As the budget debate continues in Austin in the weeks leading up to the end of session, legislators should focus on providing Texans and their businesses with the most effective tax cut possible while restraining increases in total state funds and all funds to no more than 6.5 percent based on population growth plus inflation. This is the best path for prosperity. ★

**Notes**

<sup>1</sup> Data throughout the brief are seasonally adjusted from the [U.S. Bureau of Labor Statistics](http://www.bls.gov) through the March 2015 regional and state employment report.