



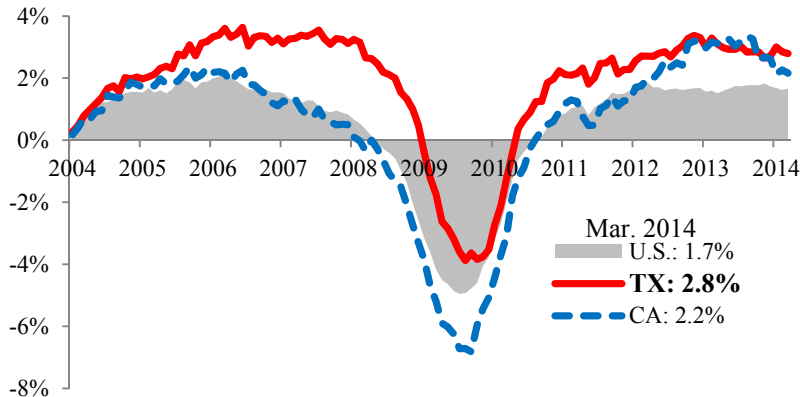
The Texas Model: 2014 Q1 Employment Update

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This brief highlights Texas' 1st quarter 2014 employment statistics and compares it with national averages and its closest comparison, California, using March 2014 data from the Bureau of Labor Statistics' state employment report. Overall, Texas remained a job creation leader and over much of the last decade, providing support for the Texas model of low taxes, modest government spending, and stable regulation.

Texas' employers added 87,600 net nonfarm jobs during the first quarter, for an average of 29,200 per month. Over the last year, 306,400 net jobs were added—second to only California—across all 11 major industries. These additions bring the annual job growth rate to 2.8 percent, which is higher than the rates in California and the U.S. average.

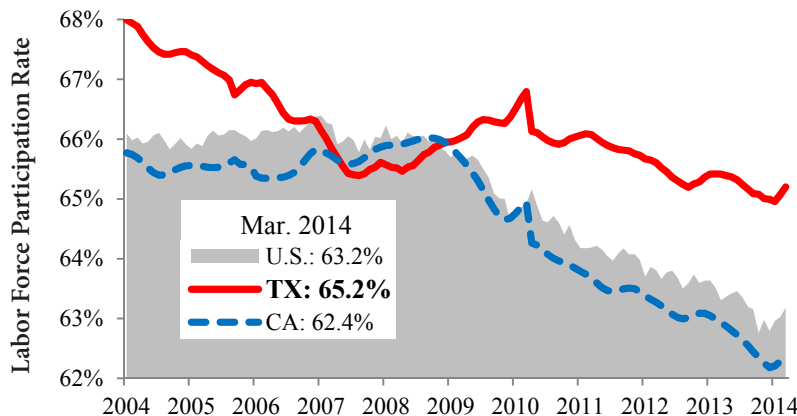
Figure 1: Faster Annual Job Growth



While Texas fell from the top spot in job creation over the last year, Texas' trend of 29,200 jobs per month from January through March is greater than California's 15,000 per month. Further, accounting for California's 45 percent larger population than Texas, California's jobs number is not so impressive.

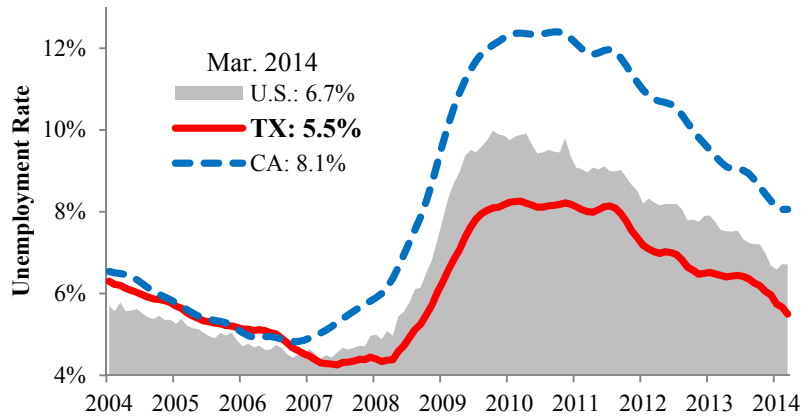
The increase in Texas' labor-force participation rate to 65.2 percent and the rise in employment led to the unemployment rate falling to 5.5 percent (17th lowest in the nation) in March with total unemployed declining to 712,214, which is a good sign for all Texans.

Figure 2: More Texans Employed or Looking for Work



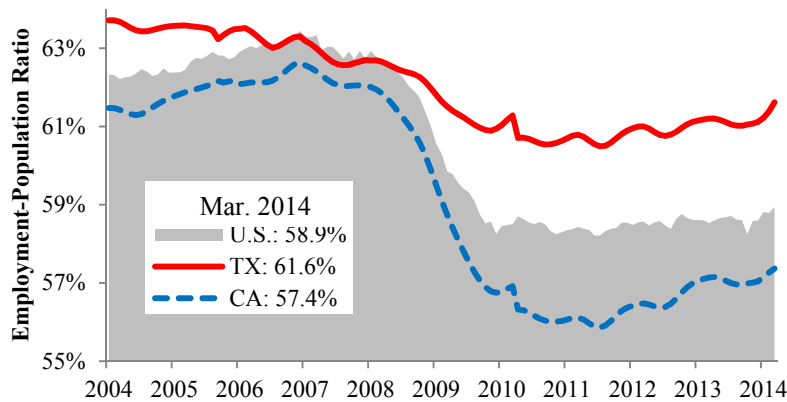
The state's unemployment rate has been equal to or below the national average since January 2007, or 87 consecutive months through March 2014, and is more than a full percentage point lower than the nation's rate. Texas has now been below California's rate (4th highest in the nation) for 92 consecutive months.

Figure 3: More Jobs Not Dropouts



With so many individuals dropping out of the labor force nationwide and a large increase in Texas' labor force compared with others states, the unemployment rate tends to poorly signal the health of a state's or the nation's labor market. A better measure of employment at all levels is the percentage of the adult population who are employed because those who stop looking for a job do not sway it.

Figure 4: More of the Population Employed



Slower job growth and people dropping out of the labor market in California and nationwide contributed to a large decline in their employment-population ratios, but Texas' rate has been near or above their rates every month since January 2004 and remains substantially above them since the end of the last recession in 2009.

To remain the leader in job creation, the Texas Legislature should do the following: return surplus funds to taxpayers by eliminating the margin tax and lowering the state sales tax rate, restrain government spending by strengthening Texas' constitutional tax and expenditure limit; implement zero-based budgeting to root out inefficiencies in the Texas budget; and resist the temptation to spend-down the rainy day fund. ★

Note on charts: Seasonally adjusted data are from the Bureau of Labor Statistics.

