THE GINN ECONOMIC BRIEF

TEXAS ECONOMIC SITUATION NOV. 2021 | VANCE GINN, Ph.D., CHIEF ECONOMIST

OVERVIEW: Texans continue to recover from the shutdown recession. There have been challenges like business closures, skyrocketing local property taxes, and anti-prosperity fiscal and monetary policies out of Washington. Fortunately, the Texas economy was (finally) fully opened on March 10, 2021, and the third wave of COVID-19 is now behind us with better results than after prior waves without statewide mandates of masks, closures, or vaccines—as these should always be voluntary. The 87th Texas Legislature mostly helped support the recovery with passage of many sound policies like a Conservative Texas Budget, stronger state spending limit, and independent efficiency audits. However, there were missed opportunities like permanent, broad-based property tax relief. Given other states are drastically cutting or even eliminating taxes, Texas must remove government barriers so it can support more opportunities to prosper, remain an economic leader, and withstand bad policies out of Washington.

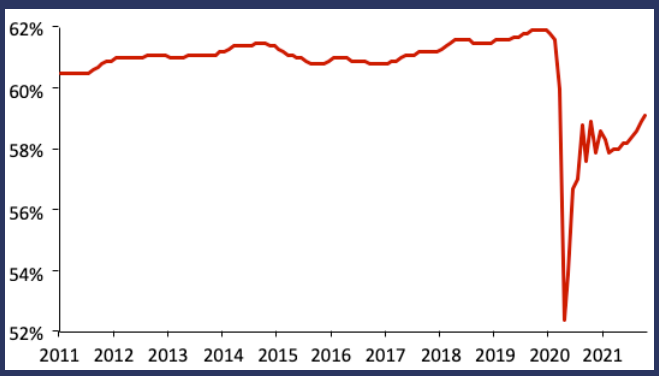
59.1%

TX EMPLOYMENT-POPULATION RATIO IN OCTOBER 2021

How many more job openings than unemployed in Texas?

Click for the answer!

TEXAS EMPLOYMENT-POPULATION RATIO



LABOR MARKET: The best path to prosperity is a job, as work brings dignity and hope to people by earning income, gaining skills, and building social capital that endures. Given the importance of work, the table below highlights the latest state jobs report for October 2021. Net employment in Texas increased by 56,600 that month, resulting in an increase for 17 of the last 18 months. This included 69,500 more jobs in the private sector and 12,900 fewer jobs in government. Compared to a year ago, total employment was up by 661,300 (5.4% increase) with the private sector adding 644,600 jobs (6.3% increase) and the government adding 16,700 jobs (0.9% increase). But since the pre-shutdowns period in February 2020, the private sector now employs 39,100 fewer people and even fewer people than the pre-shutdowns trend. Compared to November 2019, when private sector employment was also about 10.9 million, Texans face challenges noted by worse rates of lower labor force participation, employment-to-population, and unemployment.

	JUNE 2009	NOVEMBER 2019	FEBRUARY 2020	APRIL 2020	OCTOBER 2021
Labor force participation rate	66.4%	64.2%	64.0%	60.2%	62.5%
Employment-population ratio	61.1%	61.9%	61.6%	52.4%	59.1%
Unemployment rate (U3)	8.0%	3.5%	3.7%	12.9%	5.4%
Private sector employment	8.5M	10.9M	11.0M	9.6M	10.9M

Data compare the following: 1) June 2009—Dated trough of that U.S. recession, 2) November 2019—Near current private sector employment, 3) February 2020—Dated peak of the last U.S. expansion, 4) April 2020—Dated trough of the last U.S. recession, and 5) October 2021—Latest data available.

Figure 1

State Unemployment Rates by Political Representation, Oct. 2021

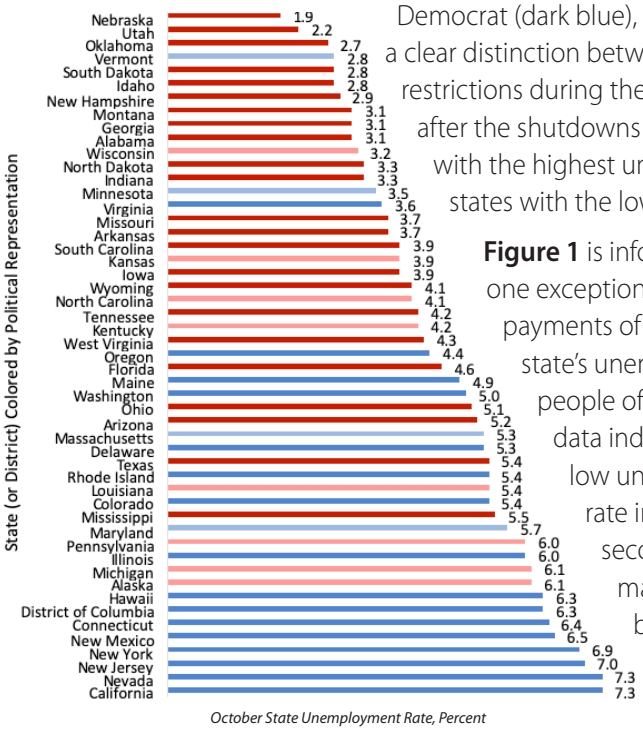


Figure 1 compares the unemployment rate in red states and blue states if both chambers of the legislature and the governor are Republican (dark red), Democrat (dark blue), or some combination (lighter colors). The results show a clear distinction between red states and blue states, with the stringency of restrictions during the pandemic along with pro-growth policies before and after the shutdowns playing key roles. Specifically, 8 of the 10 states and D.C. with the highest unemployment rates are in blue places while 22 of the 25 states with the lowest unemployment rates are in red places.

Figure 1 is informative because only Republican governors, with the one exception of Louisiana, ended the supplemental unemployment payments of about $1,200 per month that were on top of each state's unemployment payments and created a situation where people often received more than they did while working. These data indicate a strong relationship between sound policy and low unemployment. Although Texas' 5.4% unemployment rate in October ranks 11th highest in the nation and is the second-highest rate for a dark red state, the state's labor market continues to improve after the unemployment bonus stopped on June 26, and people return to work with many job openings. States that ended the extra unemployment payments early, which were primarily red states, approached pre-pandemic levels of employment much faster in recent months than those states that continued substantially paying people not to work until September. But the unemployment rate is not the best indicator of the strength of the labor market in normal times, much less during volatile times like these. For example, the 5.4% unemployment rate in Texas could be considered close to full employment but the labor force participations rate is 1.5-percentage points below the pre-shutdown rate and the employment-population ratio is 2.5-percerntage points below. However, the job creation rate to return to the pre-shutdown level in Texas has been one of the fastest in the nation. And the latest data in September show Texas had 807,000 job openings (5.9%) and 797,000 unemployed, yielding 10,000 more job openings than workers available to fill them.

ECONOMIC GROWTH: The U.S. Bureau of Economic Analysis (BEA) released real gross domestic product (GDP) by state for Q2:2021. Texas had a relatively modest GDP growth rate of 6.4% on an annualized basis, slightly below the 6.7% U.S. average, as the state was hit by another wave of the pandemic and had harsh government restrictions on businesses in response. This followed Texas' GDP growth declines of 4.6% in Q1:2020 and 31.9% in Q2 during the depths of the recession. But then GDP increased by 35.6% in Q3 and 5.6% in Q4 for a total decline in 2020 of 2.9%—less than the U.S. decline of 3.4%. This was the state's first annual decline since 2009. State-level GDP for Q3:2021 will be released on December 23.

BOTTOM LINE: As Texas continues to recover from the shutdown recession, the economic outlook for Texans should improve more quickly, at least to the levels of prosperity experienced in February 2020. The Texas Model was fortunately strengthened by the 87th Legislature that followed much of the Foundation's recommendations of less government spending, taxing, and regulating, but more improvements are needed.

RECOMMENDATIONS

The Texas Legislature should improve upon its efforts in 2021 by further limiting government spending, reducing dependency on federal funds, improving workforce development, removing barriers to work, reforming safety nets, and eliminating property taxes by 2033. If Texas strengthens its economic institutions built on free-market capitalism that best lets people prosper, Texans will recover more quickly, better resist D.C.'s overreach, and flourish more for generations to come.