First, the business cycle impacts all companies, yet the largest companies in Texas have better weathered the economic storms and dominated the job creation landscape.

Also, Texas has been like most other states in recent years in that it has tended to lose manufacturing jobs in older industries and gain service jobs in newer industries. Texas has fared better than most of the nation through the two previous recessions of the last decade thanks in large part to continued population growth, rich natural resources and a business-friendly environment.

The 2000 to 2010 decade in Texas saw steady job growth in the business landscape. But the decade ended with a slowdown in new firm startups and higher company shut down rates. The new firm birth rate started to bounce back in 2010 while the shut down rate started to subside as Texas has moved ahead of the nation in a period of economic recovery. The result is that fewer private employers are closing up shop and laying off workers but also fewer new companies are opening and hiring.

**Key issues remain**

- The stock of private companies in Texas has been quickly getting older. Maturing companies tend to have slower growth without a disruptive breakout event.
- Startup companies are getting started with fewer workers in Texas.
- Texas has a more stable economy that is growing jobs – almost as fast as the population is growing. There is a diminishing rate of job destruction in an environment where the older and larger firms are dominating. But also less dynamic business growth.

The LMCI research team found that there is no silver bullet or magic method for identifying the best businesses for job creation. This project started in an effort to determine if there was an ideal age range or industry for employment growth in Texas during the past decade – that information could not be uncovered using the Unemployment Insurance data.

In the course of this investigation, the LMCI research team pulled data regarding age and size of companies that experience employment growth. Nevertheless, a single path that points to which companies will succeed in creating the most jobs tomorrow in Texas could not be identified. Similarly, economists and labor researchers cannot come to a single understanding of the best ways to create jobs in a region – hence the four current camps or schools of thought. Not even Texas CEOs can agree on a single theme for job creation in the Lone Star State.
Texas employment levels were highly impacted by the three main forces changing jobs in the past decade:

- Globalization (opening new markets to buy and sell goods as well as use of foreign workers remotely).
- Technological advances (allowing for fewer workers to make more goods or provide services).
- Demographics (between people moving in and people moving out of Texas, the Lone Star State experiences a net of more than 300 new residents a day – and those new Texans are both looking for jobs as well as requiring more goods and services from more workers).

And there are a host of secondary issues impacting employment growth in companies, including:

- Life-cycle of a company and its industry.
- Recent growth rate of the target company and its industry.
- Proximity of workers with proper skills.
- Proximity of suppliers and customers.
- Access to investors.
- Access to road, rail, port and high-speed Internet infrastructure.
- Aggressiveness and business savvy of the executives.

Two key trends that stand out are that new firms in Texas are employing smaller numbers of workers while the average population of employers in Texas is quickly aging; all of which does not bode well for the pipeline of future employers in an evolving economy. Public policies that can help bolster new business creation in Texas may soon become even more critical.

The implications from this research for economic development in Texas are powerful. In a time when state and local governments face falling tax revenues and rising demand for services due to a growing and aging population, choosing where to invest incentive
efforts is critical. There is no perfect path to identifying job growth. Still, Texas is demonstrating that it has become a more stable marketplace for employers young and old with concentrations of different industries in different metropolitan areas that also allow for a dynamic market for companies and workers. Economic development and workforce development have become an art form that is aided by this science of identifying employment trends. This report is intended to help guide some of those policy efforts.

If Texas can replenish its lagging pipeline of new startup companies then the state’s economy should be able to continue its trends of growing large employers for the future that can stabilize an evolving economy.

Two other issues are valuable for local economic developers, elected officials and regional workforce development boards. And those issues are place and motivation of entrepreneurs.

Jan Triplett, a Texas small business advocate and CEO of the Business Success Center consulting firm in Austin, surprised many people recently when she said that most people who start their own business don’t want to add employees, instead they want the freedom of being their own boss and having control over their own careers. Triplett made these comments when addressing the Senate Committee on Economic Development at the Texas capitol in September 2010. And her comments caused lawmakers to discuss that many small business owners just want to be small business owners.

It is also interesting to note a recently published study by Michigan State University researchers Laura Reese and Minting Ye, who also found that there is no silver bullet for the economic development policy community to create local jobs and wealth. Reese and Ye measured economic development incentives, tax abatements, industrial park creation, business incubator creation, tax increment financing arrangements, proximity to beaches or mountains and even local infrastructure investment to see which policy decisions had the most positive impact at growing the local economy. Tax abatements and other incentives for employers don’t grow the local economy, they found. Instead, the Michigan State University researchers found that investments in local education, public safety, parks and other local infrastructure do lead to growth in the local economy.

The LMCI team hopes that elected officials, workforce development officers and economic developers will consider this Texas research when making public policy to encourage job creation. Texas has created an atmosphere of enterprise in recent decades that has allowed private employment to grow. That job growth can expand as policy makers understand the evolving dynamics of the Texas economy.
About the Texas Workforce Commission

The Texas Workforce Commission (TWC) is the state agency charged with overseeing and providing workforce development services to employers and job seekers of Texas. TWC runs the Unemployment Insurance program for the state’s more than 444,000 employers and approximately 12 million workers as well as administers workforce training programs across the state.

TWC’s constituencies are:
1) Employers
2) Job Seekers
3) Workers
4) Veterans
5) Communities (including the 28 local workforce boards across the state)
6) Students and their parents (including child care subsidies for families in need)

About the Labor Market & Career Information department at TWC

Labor Market and Career Information (LMCI) is a department within the Texas Workforce Commission that specializes in the development, application and dissemination of labor market, occupational, career, education and workforce program follow-up information.

LMCI tracks demand for workers and occupations across Texas. LMCI gathers information on occupational demand, staffing and wages through employer surveys as well as through programs run in conjunction with the U.S. Bureau of Labor Statistics.

Also, LMCI produces many online programs, print publications and even toll-free phone services to help employers and job seekers better understand the labor economy in different regions of Texas. Each of these programs is buttressed by applied academic research on Texas labor market dynamics.

The LMCI department is perhaps best known for calculating the unemployment rate each month for the state and various regions and metro areas in Texas on behalf of the U.S. Department of Labor. LMCI also designed and maintains eight web-based software applications to assist public policy decision makers understand their local labor dynamics as well as help job seekers understand the labor environment.

References


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