

## Editor's Note

*Working Texas Style* was written to explore some of the headline topics and issues that are likely to influence job creation and workforce planning in Texas during the next decade. Clearly the phenomena we address here are only the tip of the proverbial iceberg relative to the myriad complexities wrought by a rapidly transforming global economy. We readily acknowledge the many government policies, yet-to-be-discovered technologies and geopolitical events that may shape the Texas economy during the next several years that are not discussed in this publication.

This monograph was conceived in the midst of general economic expansion. Looking back, job growth was still occurring nationwide, and home values and home ownership rates were at all-time highs. During the late winter and early spring of 2008, the state's and the nation's unemployment figures were remarkably low by any standard. In July 2008, the Dow Jones stock market index briefly topped 14,000, and Fortune 500 corporate earnings were robust. Among our biggest labor market concerns were extending higher education and training opportunities to a broader swath of Texans and better integrating people with limited skills into occupational areas in short supply. These issues remain public policy priorities, but they are no longer our only concern.

As early as 2007, many economic signposts were present that led some to believe the long run of prosperity may be on shaky ground. Many aspects of an increasingly global economy were influencing behaviors of businesses and consumers. Real estate prices in major markets in California, Nevada, Arizona and Florida were showing signs of deterioration. Mortgage lending tightened, but easy credit remained a hallmark of consumer spending. Even as we go to press in mid-2010, and as the recession eases, the nature of economic recovery is still unclear. The job creation component of the recovery remains especially unpredictable.

Texas proved to be relatively immune to the early effects of the national recession — more a tribute to the countercyclical growth influences of oil and gas and related industries and a robust export sector than anything else. In addition, Texas did not witness the rapid rise in home prices, as did many regions of the country; thus, we did not experience a subsequent crash in housing values. But anyone who travels America can see that large Texas cities bear a striking resemblance to many other cities in the country. Large national retail chains, banks, malls, homebuilders and restaurants populate Texas just as they do elsewhere. When these businesses suffer from a dearth of available credit or declining sales in other parts of the nation, their Texas businesses are affected. Although local Texas banks have fared better than most of the global banking giants, many Texans do their local banking at branches owned by these distressed institutions. In addition to its own unique challenges, Texas is dealing with the national recession and the fallout of lowered global economic activity.

Texas has shown, however, a greater resilience than most other states during these recessionary times. Texas state government has maintained sound fiscal policies and a balanced budget and has created a business climate conducive to firm expansions and relocations. As we report in this monograph, Texas is at the forefront of growth in the global energy cluster, in both the oil and gas industries as well as

renewable energy. Though the recession tempered global demand for refined oil and gas products and curbed job growth in these industries, other parts of the Texas economy have benefited from lower gas prices. In addition, Texas continues to grow its population and labor force, attract new businesses and offer a fertile ground for entrepreneurs. As evidenced by improving high school test scores and increased rates of college enrollment, Texans are becoming better educated. All of these forces bode well for future economic growth.

We believe the issues referenced in this document will be influenced by, but will largely transcend, the recession. Many of the phenomena discussed here may accelerate when the economy recovers. Futurist Matthew Colburn wrote, “Our attitude toward the future could spell the difference between succumbing to disaster or triumphing over the odds.” We argue that the forces that caused the perfect storm of economic failure are still within our control and subject to our determination. How determined we are as a state, and as a nation, to triumph over our own limitations is yet to be seen.

The forces that gave rise to the current recession cannot be easily dismissed nor will they be easily overcome. At the 2008 annual conference of Business for Social Responsibility, General Electric CEO Jeffrey Immelt remarked, “This economic crisis doesn’t represent a [business] cycle. It represents a reset. It’s an emotional, social, economic reset.” Many economists agree with Immelt. We believe business will respond in many new, innovative and diverse ways as the recovery takes shape, and Texas business will be at the forefront of many of these innovations. Still, there are too many unknowns, too many forces at work, to know for sure. We hope the insights offered in this publication will at least provide a foundation against which to gauge future prospects for job creation and workforce policy in the state of Texas.

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## Preface

Futurist Alan Lakein offered sage words about strategic planning when he said, “Planning is bringing the future into the present so that you can do something about it now.” The strategic planning goal of most education and workforce intermediaries is to know enough about current and future labor market opportunities to advise students and job seekers in their educational and career choices. While the goal is admirable, the task is anything but simple and is growing more complex each year.

Strategic planning is the bridge between vision and action. In a 2006 article for *The Futurist* magazine, Andy Hines wrote that “the future is inherently unknowable, and efforts to get it *exactly* right are futile. Instead, the strategic foresight process uses the forecasting phase to envision alternative futures for the organization to consider.” Just as there are alternative futures, there are alternative ways to reach them. Mr. Hines, a University of Houston professional futurist, posed an additional question: “What is the ‘preferred’ future?” While his own answer suggests that the bigger questions are for elected officials to decide, in truth each decision made by individuals, companies and intermediaries as labor market participants contributes to the end product.

General Electric chief executive officer (CEO) Jeffrey Immelt is often quoted as saying the current recession represents more than just another business cycle; instead, it’s a complete reset of global commerce and business practice. Recessions are often used by successful businesses to revisit their cost structures and market strategies in preparation for a strong recovery. Mr. Immelt, and former General Electric CEO Jack Welch, have both stated that the practical business solutions that emerge postrecession will incorporate technology and global market strategies to an extent unlike those of prior recessions. We concur that the recession will likely be a watershed event, and recovery will be shaped by a number of demographic trends, structural transformations, energy strategies and new technology applications. *Working Texas Style* is our attempt not to predict the future but to frame some of the key issues and phenomena that will likely influence job creation and business practices over the next decade.

*Working Texas Style* is a step back from our day-to-day data collection and operational concerns to look at big-picture issues. Our scan of the economic landscape provides background information on major long-term trends and

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**“The future is inherently unknowable, and efforts to get it exactly right are futile. Instead, the strategic foresight process uses the forecasting phase to envision alternative futures for the organization to consider. The results will not only reduce the likelihood and magnitude of surprise, but also enable the organization to navigate successfully through whatever future does emerge.”**

– Andy Hines, *Strategic Foresight: The State of the Art*

## “It is far better to foresee even without certainty than not to foresee at all.”

– *Henri Poincare*, *The Foundations of Science*

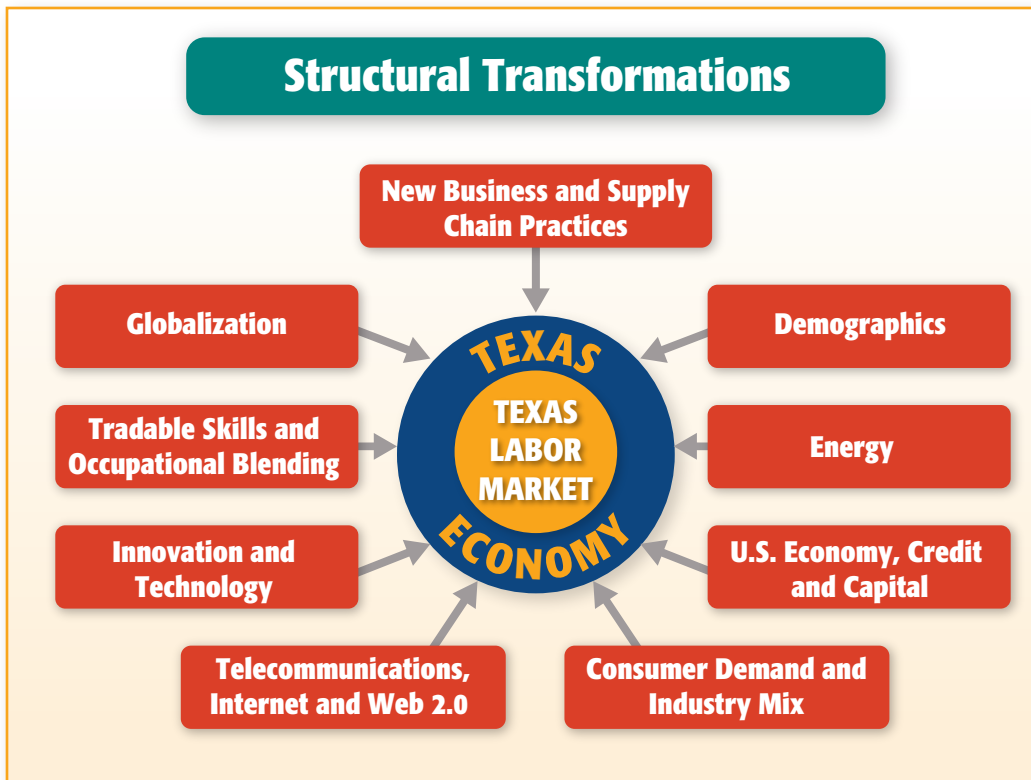
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structural changes affecting labor supply and demand in Texas. Both labor supply and demand are driven by market forces sweeping the state, the nation and, indeed, the global economy. The development and growth of Texas businesses, as well as the employment and earnings of its residents, now depend increasingly on the actions of investors, corporate executives and government officials who may be half the world away.

Most of these trends and phenomena represent time frames that are far longer than — and independent of — grant periods, electoral cycles or corporate fiscal reporting periods. Moreover, and with some dismay for those in policymaking positions, state and local government officials often have no control and very little influence over key economic players outside their respective jurisdictions. Nonetheless, as the old adage goes, “All politics are local.” Despite the sweeping, global nature of these structural transformations, Texas voters tend to expect their public officials to expand the state’s economy and grow good jobs. Public officials, thus, have to think globally while acting locally. They are expected to marshal scarce public funds, leverage private resources and mobilize civic support for measured responses in the wake of global forces to nudge things along at the margins. In a nod to improving Texas economic development efforts, we substituted *regional* for *local* in the book’s subtitle to emphasize the importance of smaller locales banding together to leverage regional assets in business recruitment and retention.

Our intention is to make this environmental scan more future oriented and actionable. Much of the available labor market data are historical in nature and are best interpreted by looking at trends across multiple historical time frames and within the context of economic theory. While theory and historic data help policymakers understand how market forces shape the state’s economic condition, policymakers, program administrators, workforce intermediaries and job seekers may have a difficult time successfully navigating the curves ahead by looking exclusively in the rearview mirror. This publication balances statistical data, market expectations based on economic theory and the anecdotal insights of subject matter experts in both public and private entities.

Though we wrote this book for an audience of state and local policymakers, we hope that our environmental scan also can show businesses and workers, voters and taxpayers across Texas how an array of demographic, structural and technological forces may combine to shape and constrain policy choices (see **Figure 1**). Because the economy is being fashioned by forces largely beyond the control of state and local decision makers, all Texans need to form reasonable expectations about the results that can be achieved through policy directives and government interventions. Some phenomena will force hard choices to strike a balance between what is most efficient and what’s most equitable, between maximizing gains and minimizing risks when it’s not plausible to achieve both. This is the challenge of shaping the preferred future.



**Figure 1**

To make this environmental scan action oriented and easier to read, we organized the presentation in journalistic fashion, rather than as an academic treatise. We divided the book into four major sections: demographic changes in the workforce; structural changes in the economy, including business practices; the emerging technology-based knowledge economy; and energy, which is a major driver of the Texas economy.

The chapters in each section offer a logical grouping of phenomena shaping the economic landscape. We used a structured format for each chapter, using specific section titles to highlight specific trends and phenomena:

- An overview of the trend, which we titled “What’s Happening”
- Statistical information, including supporting data and trends, or “The Data”
- An analysis of the trend’s implications for economic development and workforce preparation, or “So What?”
- Conclusions and recommendations, or “Suggested Strategies,” which offer logical extensions and implications of each trend or phenomenon within the workforce development environment

We trust that each chapter offers something useful, interesting or thought provoking. And we gratefully thank the more than 160 entrepreneurs, investors, economists, corporate executives, human resources directors, management consultants and university professors across Texas who agreed to be interviewed and contributed their observations and insights about the dynamic Texas economy.

Pick and choose chapters of greatest interest or start where most great journeys start — at the beginning. Either way, we encourage you to start shaping your own future.