Understanding Local Unemployment

by Jim Lee

Corpus Christi had wrestled with higher unemployment than the national or state average in most of its recorded history until the Great Recession of 2007-2009. This chronic symptom, which reflects the long-term health of an economy, is also shared by cities along the U.S.-Mexico border, such as Brownsville, McAllen-Edinburg and Laredo in South Texas.

This article takes an inside look at the regional unemployment line. First off, some perspective of the labor market conditions is in order. By comparison, local labor markets across Texas and much of the Midwest region remained solid in 2015. In contrast to the rest of the nation, this broad region has recovered from the last national recession at a rapid pace due in part of the shale oil production boom.

In 2015, the Corpus Christi metro area’s unemployment rate averaged at 5 percent. The 41-county region of South Texas posted a higher unemployment rate of 6 percent partly due to severe economic downturns among rural communities near the Eagle Ford formation in the wake of the oil market collapse since mid-2014.

Unemployment by Industry

Even within an area, unemployment is not evenly distributed across its various indus-
tries. A breakdown of the unemployment rate by industry clearly shows the impact of the recent oil market collapses on the local labor markets.

Nearly one in five people previously working in South Texas’s oil fields were unemployed in 2015. The mining sector in Corpus Christi also saw a nearly 20 percent unemployment rate. Cutbacks among equipment suppliers for the oil industry were responsible for the relatively high unemployment rates in the manufacturing industry.

By comparison, the various services industries saw below average unemployment rates, which reflected their relative stability over time.

Where are the Unemployed?
While the odds of losing a job in the mining, construction and manufacturing industries are greater than in the service sector, the makeup of the unemployment line is also affected by the different sizes among industries.

According to EMSI, about 10,600 adult individuals (5% of workforce) in Corpus Christi were unemployed during 2015. Nearly one in five (16%) of them were new entrants to the workforce with no previous work experience. Partly because there are always first-time job seekers, especially fresh graduates of high schools or colleges, zero-percent unemployment is unattainable, nor is it desirable for a free-market economy.

The impact of the oil industry is also evident. Some 1,400 people previously working in the mining industry were unemployed in 2015. Together they accounted for 13 percent of the total number of unemployed, more than doubled that a year earli-
The concentration of unemployment in the oil and gas industry in Corpus Christi was also relatively high in comparison with the broader South Texas region.

Given the current construction boom in Corpus Christi, it seems counterintuitive that the construction industry was responsible for an equal proportion of the total number of unemployed as for mining.

Even though its unemployment rate was only one-third that of the mining industry, the workforce of the construction industry was second only to the health care sector. A 6-percent unemployment rate for the construction workforce translates into more than 1,350 unemployed individuals. In fact, that number decreased by more than 100 between 2014 and 2015.

In addition to some unique characteristics of its workforce, the temporary or cyclical nature of the industry was responsible for the construction industry’s persistently high unemployment rate.

### Education’s Impact

Unemployment is most concentrated in the broad category that includes all individuals without previous work experience. Those job seekers are mostly high school or college graduates. As discussed in an earlier issue of Economic Pulse (2015, Issue 2), the disparity between high school graduates and college graduates is significant.

Corpus Christi residents who have not finished high school would typically face an unemployment rate more than twice the area average. Those holding a bachelor’s degree are more employable, and thus face half of the probability to be unemployed than high school graduates.

As South Texas’s labor market is about to return to its historical trends prior to the recent shale oil boom, workforce skills and educational attainment in general will play an increasing role for the economic vitality of the region going forward. As reported in a recent issue of Economic Pulse (2016, Issue 2), Hispanics have been the dominant source of population growth in the region. However, relatively fewer Hispanics receive or complete a college education than other demographic groups.

About 15 percent of the Hispanic population holds an associate degree or better, versus nearly 40 percent for non-Hispanic whites and 57 percent for Asians. So the employment gap of the region with the rest of the nation cannot close without eliminating its deficiency in work skills and workforce readiness.

### Corpus Christi Educational Attainment by Demographics (% of Race/Ethnicity Demographic)

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<th>Race/Ethnicity Demographic</th>
<th>Less Than High School</th>
<th>High School Diploma</th>
<th>College Degree</th>
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Source: EMSI, 2015.
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Economic Pulse

is a joint publication of the South Texas Economic Development Center, the College of Business, and the EDA University Center at Texas A&M University-Corpus Christi. Material may be reprinted if the source is properly credited.

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