

Tightest Labor Market Ever?

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TAKEAWAYS: With the lowest unemployment rates ever recorded, Corpus Christi and the Coastal Bend region are facing tight labor markets. Yet job gains have been modest by comparison. Much of the recent improvement in regional unemployment was the outcome of a loss of labor force to the rest of the state and the nation, both of which have been experiencing relatively stronger economic and job growth.

In April 2019, the Coastal Bend made history with record low unemployment. According to the Texas Workforce Commission, the unemployment rate without seasonal adjustment was 3.6 percent for this 11-county region as well as the metro area of Corpus Christi.

After seasonal adjustment, the jobless rate around 4.0 percent was still below the previously low of 4.2 percent registered in early 2008, before the nation entered the deepest recession since World War II. Official labor market data for metro areas and counties were available as early as 1979.

The unemployment rate is a vital sign of an area's overall economic health. A record low level of unemployment in the Coastal Bend seems odd following years of falling total output since 2014 and the devastation of Hurricane Harvey in August 2017.

Even during the last economic boom in the region in response to explosive growth in shale oil production in South Texas, regional unemployment rates did not fall below 4 percent.

So what explains such a remarkable improvement in local labor market conditions today?

Falling Unemployment

First, falling unemployment in most Coastal Bend counties is simply part of the statewide and national trends. The seasonally adjusted unemployment rate is 3.7 percent for Texas and 3.6 for the United States in April. This suggests that the regional economy is benefiting from the job growth that is sweeping across the nation as well as the state.

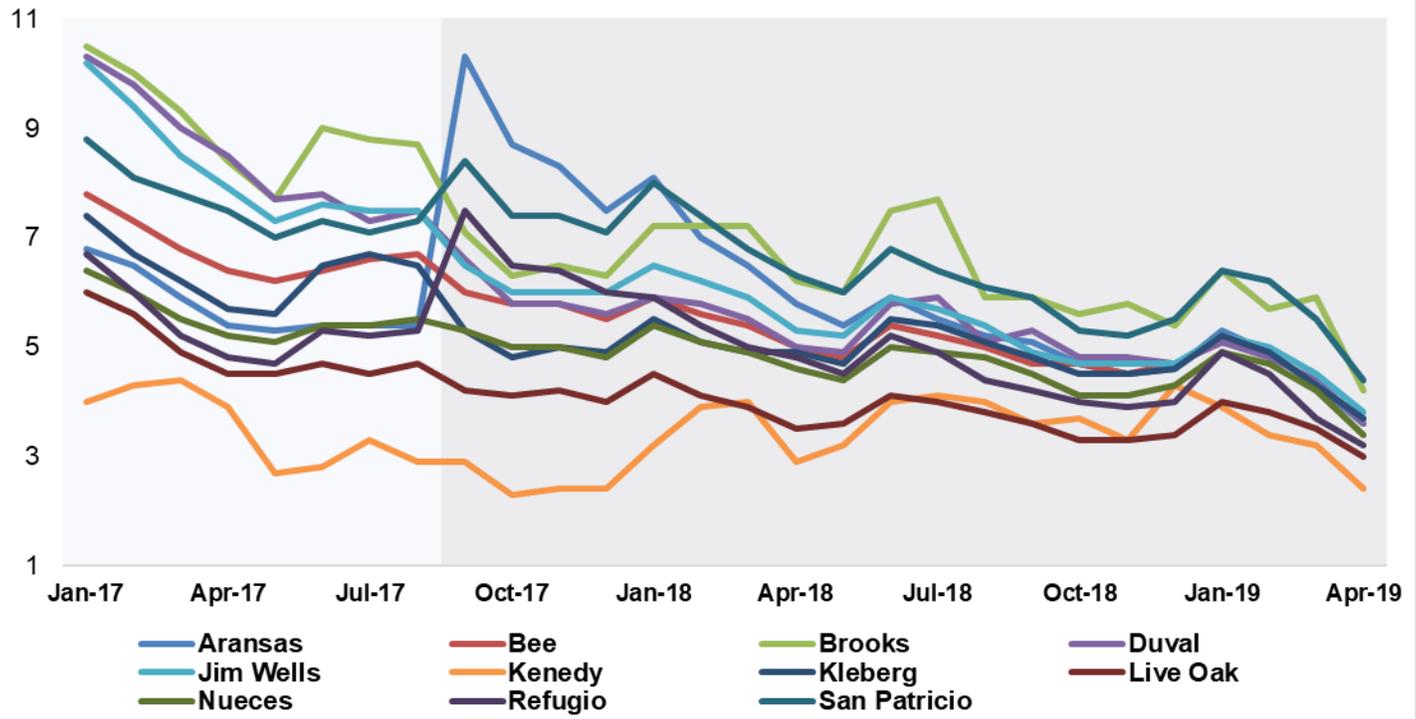
It is now nearly a decade since the U.S. began to recover from the Great Recession. The nationwide unemployment rate slipped below 4 percent a year ago in April 2018, and it has since continued to inch down steadily every month.

Texas is leading the nation in economic and job growth. In April, 161 Texas counties experienced a seasonally unadjusted unemployment rate of 3 percent or less, with Hartley County near Amarillo enjoying the lowest rate of 1.3 percent.

While unemployment rates varied considerably across regions, all of the 25 metro areas in the Lone Star state faced a decrease in their unemployment rates over the month.

Falling unemployment across the state and the nation

Unemployment Rate (%) Since 2017



Source: Texas Workforce Commission.

is making it harder for local businesses to compete with their counterparts elsewhere in hiring local workers. Reflecting labor market tightness, recent surveys of local business owners revealed the availability of qualified workers as the top business challenge.

Job Growth

Typically, job growth mirrors improvement in the unemployment rate because the number of unemployed tends to fall as more jobs are available, other things being equal.

Yet, unlike the rest of the state or nation, local employment growth has in fact trended down since the end of last year. Employment across the Coastal Bend region grew at 0.6 percent year-over-year in April, compared to the statewide rate of 2.4 percent.

The annual job growth rate for the Corpus Christi was even lower at 0.3 percent. The number of unemployed in the metro area fell by 2,791 persons in April over the same month in 2018, while the area gained only 660 jobs. This means that job gains explained 25% of the drop in unemployment.

Harvey

What then explains this coexistence of historic low unemployment rate and subpar job growth in this region? To address this question, let's look at the size of the regional labor force.

The unemployment rate is calculated as the ratio be-

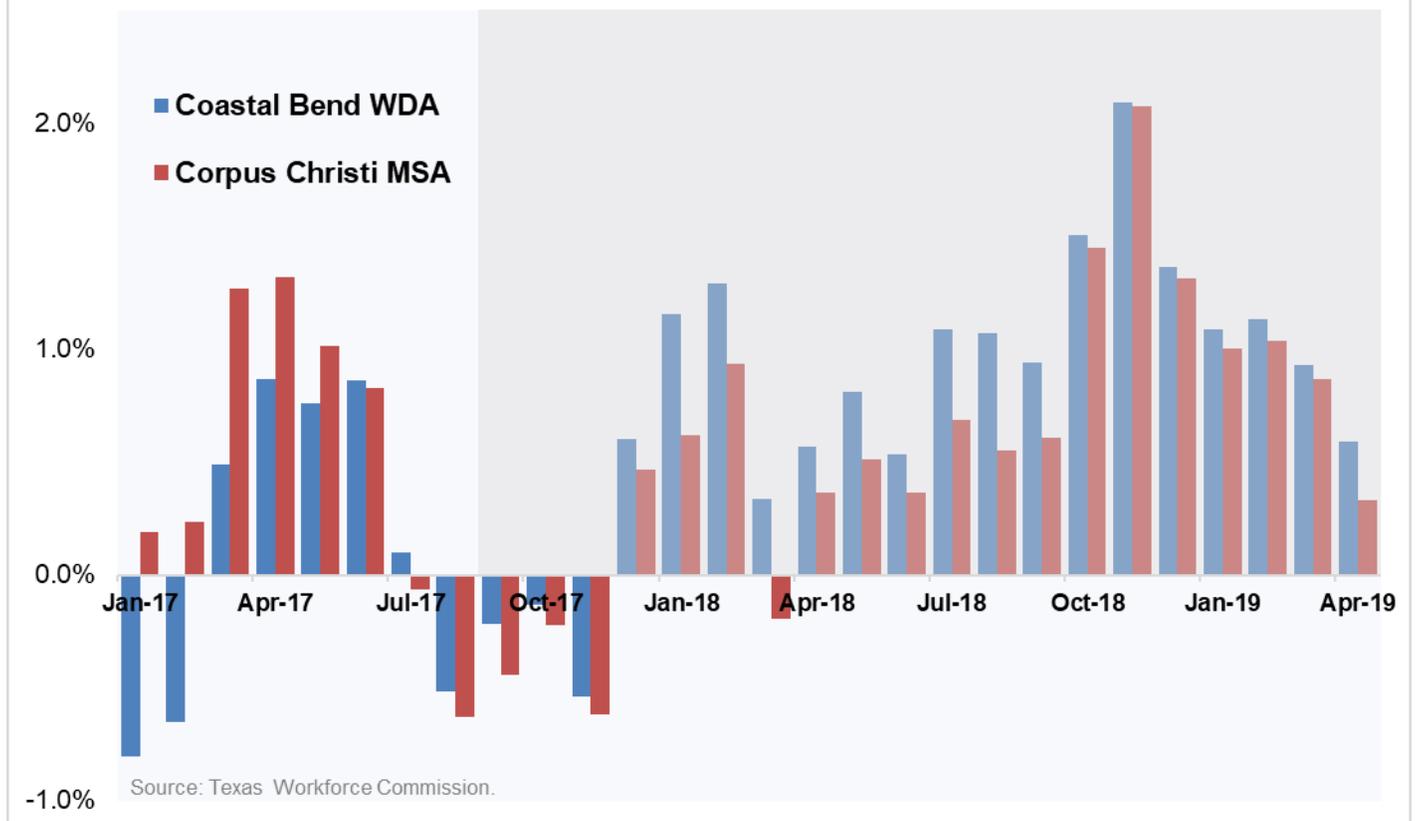
tween the number of unemployed and the labor force. The labor force is the sum of the numbers of employed and unemployed. The size of the labor force in Corpus Christi dropped by 2,131 persons, or roughly one percent, between April 2018 and April 2019.

Reductions in the labor force were odd historically but could be traced back to Hurricane Harvey. This Category 4 storm damaged a significant portion of homes in the region, especially the coastal communities of Rockport-Fulton, Port Aransas, Aransas Pass, and Bayside. Thousands of residents were displaced at least temporarily and many of them never returned.

According to the latest Census data, nearly 3,400 more people, from the rest of the nation or overseas, left the 11-county Coastal Bend area than those who relocated to the region between July 2017 and July 2018. This number of net outmigration over the year amounts to 0.6 percent of the regional population. Aransas County, where Harvey made landfall, topped the nation with a 6 percent population loss due to migration.

The numbers of net outmigration of residents in the wake of Harvey closely match the shrinking pools of labor force in Corpus Christi and the Coastal Bend as a whole. While some displaced residents might be retirees or children, the majority of them were previously employed. The region lost as many as 3,500 individuals year-over-year in the labor force by the end of 2017—about the number of migrants lost.

Employment Growth (Y-o-Y % Change)



Still the Coastal Bend economy is robust, particularly in the wake of massive rebuilding and industrial construction activities underway. The latest unemployment rate would still be admirably low from historical perspective.

But the abundance of job opportunities in a fast growing economy across the nation, especially in the state of Texas, might have drawn some of the workforce away from the region.

As a counterfactual exercise, the regional unemployment

rate would have been about half of one percentage point higher than otherwise without the recent loss of population and workforce. Either measure is far below 5 percent—the benchmark that economists commonly refer to as full employment.

Some unemployment always exists because of the structure of the labor force and the economy, including those who lack specific skills required by businesses and changes in industries such as outsourcing.

Migration 2017-2018

Area	Foreign	Domestic	Net Migration	Migration Rate
Aransas	3	-1,533	-1,530	-6.0%
Bee	1	-118	-117	-0.4%
Brooks	46	-116	-70	-1.0%
Duval	9	-66	-57	-0.5%
Jim Wells	57	-325	-268	-0.7%
Kenedy	8	7	15	3.6%
Live Oak	19	-54	-35	-0.3%
Kleberg	117	-283	-166	-0.5%
Nueces	590	-863	-273	-0.1%
Refugio	10	-200	-190	-2.6%
San Patricio	64	-764	-700	-1.0%
Corpus Christi MSA	657	-3,160	-2,503	-0.6%
Coastal Bend	924	-4,315	-3,391	-0.6%

Source: U.S. Census, April 2019.

Supply and Demand

Another way to see the extent of labor market tightness is to look at measures of labor supply and demand. The following chart shows for the Corpus Christi metro area the number of unemployed individuals as a measure of labor supply along with the number of active job postings as a measure of labor demand.

Since January 2017, the number of job postings has trended up while the number of unemployed has trended down.

The two trend lines crossed each other in late 2018. Since then the gap between the measures of labor market demand and supply has widened. The number of job postings that exceeds the number of people seeking employment captures the extent of labor market tightness in the area.

Regardless of what the main driver is, the region is facing the tightest labor market ever. Labor shortages might have only been exacerbated by Harvey.

