

It's Time to Address the Shrinking Middle Class in Texas

By Garrett Groves, groves@cPPP.org

The availability of jobs that pay a middle wage in Texas are in decline, according to a new joint report from the Federal Reserve Bank of Dallas and the Center for Public Policy Priorities.¹ At the same time, the share of low-wage jobs has grown at twice the rate of high-wage jobs. This dramatic shift in the labor market is forcing millions of Texans to make a choice: either get more education and training to develop the skills needed for higher-wage jobs, settle for a lower-wage job, or drop out of the labor force entirely. It is also making it much more difficult for workers in low-wage jobs to move up the economic ladder.

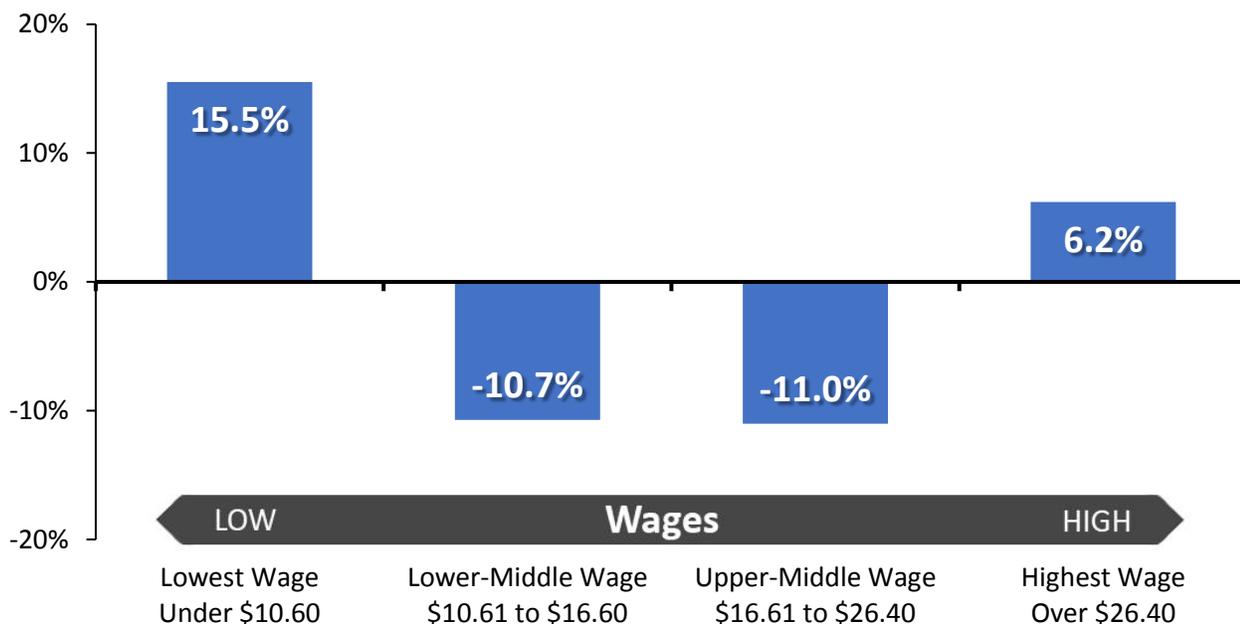
The State of Texas can and must do more to grow middle and high wage jobs across the economy, and to ensure that low-wage jobs provide the minimum wage and basic benefits required to support a family and climb out of poverty.

Declining Middle-Wage Jobs

From 1979 to 2014, the share of low-wage jobs grew by 15.5 percent in Texas and 13.4 percent in rest of the US.² At the same time, the share of jobs that paid middle wages dropped in Texas and the rest of the US, and the share of high-wage jobs increased by 6.2 percent in Texas and 6.7 percent in the rest of the US.

Texas Middle-Wage Jobs in Decline Since 1979

Percent change in share of jobs by wage quartile, 1979-2014



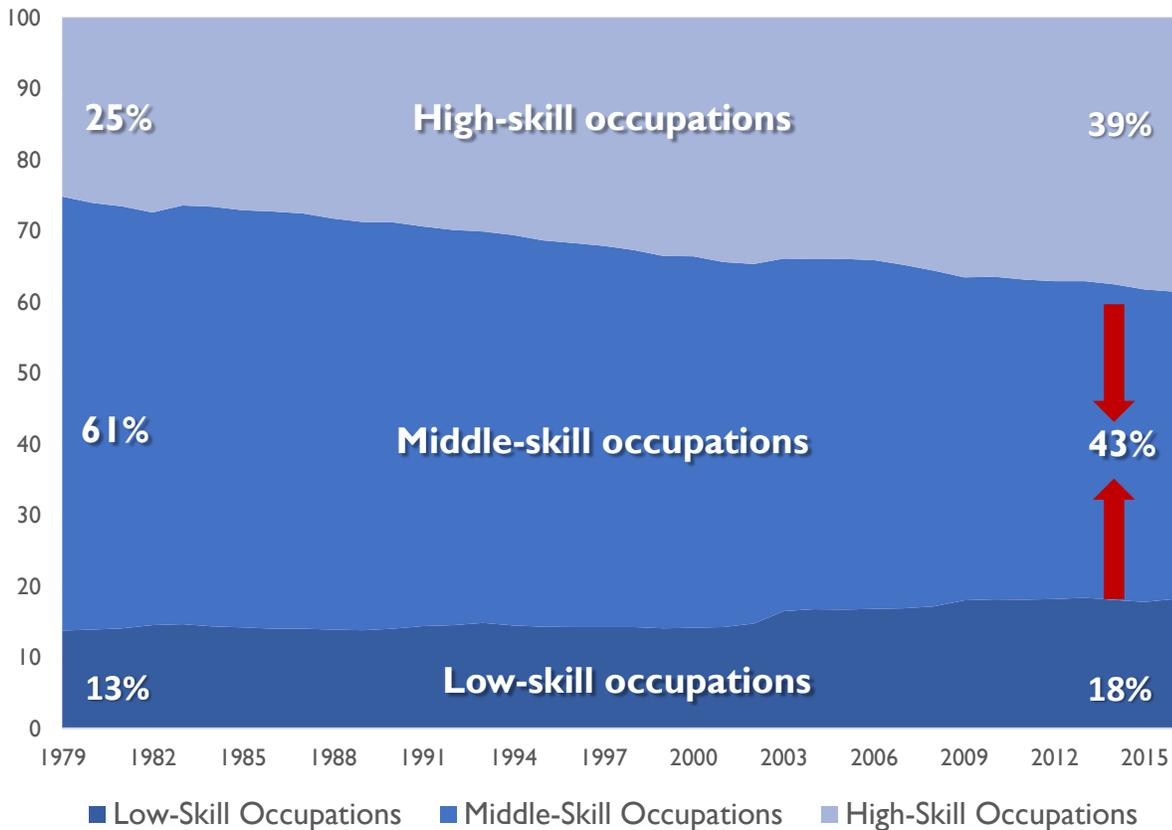
NOTES: Calculations include workers over age 15 with positive wages and exclude the self-employed. Quartiles based on the Texas and U.S. wage distributions from the 1980 decennial census, which refers to 1979 wages. SOURCES: 1980 Census; 2015 American Community Survey; "Employment Growth and Labor Market Polarization," by Melissa LoPalo and Pia Orrenius, in *Ten-Gallon Economy: Sizing Up Economic Growth in Texas* by Pia M. Orrenius Jesús Cañas and Michael Weiss, eds., New York: Palgrave MacMillan, 2015, pp. 91–105.

Declining Middle-Skill Jobs

This decline in middle-wage jobs is happening largely because the share of "middle-skill jobs" has been shrinking in Texas and in the U.S. economy. These are jobs that require workers to perform repetitive and procedural tasks, such as assembly work in a manufacturing plant or filing and data entry tasks in an office environment. Computers and other machines are increasingly doing these routine tasks more efficiently and effectively.³ High-skill occupations require analytical ability, problem solving and creativity while low-skill occupations require service-oriented and manually intensive labor.

The Growing Skill Divide

Percent of U.S. Workforce by Occupation Skill Level



NOTE: Data are restricted to workers ages 16 to 64 who are not self-employed and are not employed in military or agricultural occupations. SOURCE: The original chart is from "The Vanishing Middle: Job Polarization and Workers' Response to the Decline in Middle-Skill Jobs," by Didem Tüzemen and Jonathan Willis, Federal Reserve Bank of Kansas City, *Economic Review*, First Quater 2013. The original chart has been updated to begin in 1979 and end in September 2016. Data were provided by Didem Tüzemen.

How Do We Help More Texans Get Good Paying Jobs?

Expand education and workforce training pathways to higher-wage jobs in Texas

To begin to address challenges presented by the shrinking middle class in Texas and ensure the state's future economic competitiveness, state policymakers must find new ways to help far more Texans pursue an education beyond high school. Texas ranks 40th in the country in the percent of adults with an associate's degree or higher, and is tied in last place with California for the percent of people who do not have a high school diploma or an equivalent.

Examples of state action on education and workforce policies to substantially increase access to middle and high-wage jobs include:

- Build Regional Talent Pipelines that Advance Low-Wage Workers into Higher Paying Jobs
- Make College More Affordable
- Update the State's Antiquated School Finance System

Raise Job Quality Standards for Workers Stuck in Low-Wage Employment

Expanding educational pathways to higher wage employment is only part of the solution. With a growing share of Texas workers employed in low-wage, low-skill occupations that do not require education beyond high school, there is a growing need to assess the job quality standards – or the lack thereof – that ensure hard working Texans can provide for their family and invest in their future.

Examples of state action to ensure that all hard working Texans can reach the middle class include:

- Return local control to Texas cities by allowing them to raise their minimum wage
- Make it easier for businesses to offer employer-based retirement plans and provide other basic benefits at the workplace
- Improve state regulations that protect hard working Texans from wage theft and improve workplace safety

¹ Federal Reserve Bank of Dallas Report. Regional Talent Pipelines: Collaborating with Industry to Build Opportunities in Texas.

<https://www.dallasfed.org/cd/EconDev/workforce/2017/pipelines>

² For additional information, see "Texas Leads Nation in Creation of Jobs at All Pay Levels," Melissa LoPalo and Pia M. Orrenius, Federal Reserve Bank of Dallas, Southwest Economy, First Quarter 2015, <http://www.dallasfed.org/assets/documents/research/swe/2014/swe1401d.pdf> and "Middle-Skill Jobs Lost in U.S. Labor Market Polarization," Anton Cheremukhin, Economic Letter, Vol. 9, No. 5, Federal Reserve Bank of Dallas, May 2014, <http://www.dallasfed.org/assets/documents/research/eclett/2014/el1405.pdf>

³ Many of these jobs are also increasingly at risk of moving overseas where wages are relatively cheaper for performing routine tasks. For more information, see Figure 3: Index of Changing Work Tasks in the U.S. Economy 1960-2009, "Dancing with Robots: Human Skills for Computerized Work," Frank Levy and Richard Murnane, Third Way, July 17, 2013, <http://www.thirdway.org/report/dancing-with-robots-human-skills-for-computerized-work>.

For more information or to request an interview, please contact Oliver Bernstein at bernstein@cphp.org or 512.823.2875.

About CPPP

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