Gauging the Oil Boom's Effect

Kenneth L. Stewart and Laurence F. Jones
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Oil-booming, record-setting growth in the local economy has softened. The pattern is clearly documented in the most recent update of the San Angelo Social Health Index.

Produced by ASUs Community Development Initiatives, the San Angelo Social Health Index tracks 21 statistical indicators of social and economic conditions in the community. Findings from the economic indicators show a 4.8% increase in the metro area's per capita Gross Domestic Product (GDP) between 2012 and 2013. Per capita GDP is a calculation that estimates the value per person of commodities and services produced in the area.

The 2013 per capita GDP increase was record growth for the local economy in the 21st century. The next year (2014) brought another record 7.0% growth surge. However, the GDP pulled back to register a 2.0% decline for 2015, followed by a steeper fall of 4.8% in 2016.

The actual dollar value was $37,555 per person in 2016. This was slightly lower than the first record setting value for 2013 at $37,599 and well below the 2014 record of $40,238. Other local economic indicators such as employment and average personal income levels followed patterns of growth and contraction similar to the ups and downs of the GDP.

The February 2014 Pathways article was our first analysis of the eye-popping growth years for the local economy. Back then, prominent local business leaders, some caught up in the craze of the oil boom, talked as though it would power an escalator of constant upward economic growth far into the future.

The article recapped economic achievements reflected in the data at that time. Alongside those, the article highlighted some of the toughest social problems that still challenge the community today. Given the glowing economic numbers at the time, we wrote that the best pathway for progress was to invest in the community to address some of our troubling social problems while the economy was strong.

With current data showing a cooling economy, we decided to ask a simple question for this month's article. Did everyone willing to put in a full day's work reap some gain from the record-setting boom? We do not attempt to assess complex issues about the fairness of earnings received by various groups. Our question is basic; did all groups of full-time workers gain something from the affluent economy between 2012 and 2016?

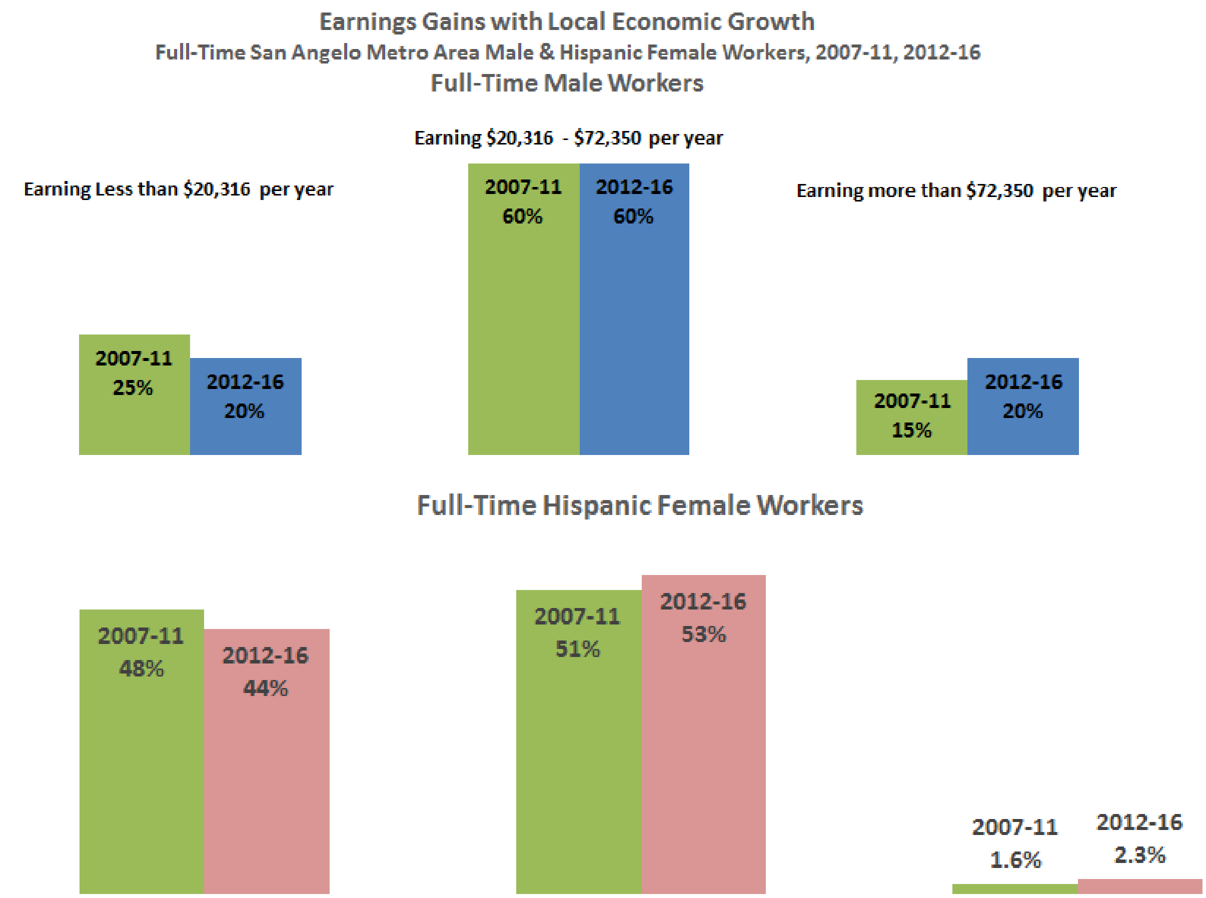
We obtained data from the US Census Bureau's American Community Survey (ACS) to investigate. Each year, the ACS asks a large sample of Americans a variety of questions about their personal and household circumstances. Items include questions about personal work status and earnings, as well as any work and earnings made by other household members.

While an ACS yearly sample is large enough to provide accurate data about many characteristics of San Angelo's metro area that encompasses Irion and Tom Green counties, they are not large enough to yield accurate information on small groups within the area's population of full-time workers. Thus, the Census Bureau combines ACS single-year samples into five-year bundles that provide accurate data on many small groups.

It is important to know that the bundled data provides five-year averages that are accurate for a time-period, but they are not suitable for a single year within the five-year range. Furthermore, the bundles do not provide valid information for all small groups. We hoped, for instance, to include African-Americans in our analysis, but their numbers in ACS samples are too small to glean accurate earnings data, even using the five-year bundles.

To answer our question about the gains of full-time workers in the local economic boom, we selected two five-year bundles of ACS data. One covers the time period (2007-2011) before the boom. The other (2012-2016) envelops the surge. If each group of full-time workers profited from the record-setting growth, we should see increases in their average earnings between thetwo five-year periods.

To analyze any gains or losses by groups of workers, we divided the full-time male workers during the 2012-2016 time period into five equal parts, or quintiles, depending on their level of income. The first quintile contained the bottom 20% of the population that were the lowest paid. The fifth quintile, in turn, comprised the top 20% of the highest paid full-time male workers. For simplicity, we combined the three middle-income groups into a single group of male workers with middle-range earnings.



Source: Computations based on data from the U.S. Census Bureau, American Community Survey, 2007-2011 & 2012-2016

The results of these tabulations show that 4,878 or 20% of the average 24,378 full-time male workers in the San Angelo metro area between 2012 and 2016 earned less than $20,316 annually. The middle-range included 14,627 or 60% of full-time workers earning between

$20,316 and $72,350. The remaining 4,878 workers formed 20% of the highest paid male workers whose earnings were over $72,350.

The blue-colored columns in the top panel of the graphic acompanying depicts these results. The green columns, on the other hand, depict the distribution for the metro area's full-time male workers during the 2007-2011 time period.

Overall, the top panel in the graphic conveys the gains made by full-time male workers between the two five-year time periods. The local economic boom reduced the proportion of low-earning full-time male workers by 5 percentage points, while it increased the proportion of high-earning workers by 5 points. This occurred, moreover, while full-time male employment increased from the earlier five-year average of 21,923 to 24,378 workers during the boom years.

More detailed analysis, not included in the graphic, revealed that both Hispanic and non-Hispanic White males made significant gains in the average numbers of full-time workers and increased proportions of high earners during the time period associated with record-setting growth. More than 9,200 non-Hispanic White females also enjoyed a substantial 4 percentage point increase in the proportion of high earners during the boom years.

Rigorous analysis, in other words, shows important earnings gains for the majority of the metro area's male and female full-time workers during the recent years of local economic growth. Nevertheless, the data in the bottom panel of the accompanying graphic gives us pause.

The metro area's full-time Hispanic female workers, averaging nearly 6,000 members, experienced minimal earnings gains during the economic boom. Proportionately, only 2.3% of these workers took home paychecks in the high earning range, and the increased percentage of high-earning Hispanic women over the previous 2007 to 2011 period was less than one point.

The data documents a 4 percentage point decline in the proportion of low earning Hispanic females during the growth period. However, a closer look at the evidence shows most of the change came from small gains that moved some women's previous take home pay of $19,000 or $20,000 into the lowest levels of the middle earning range starting at $20,316. As a group, full-time working Hispanic women were nearly left out of earnings gains from the record-setting period of economic growth.

Most people would probably turn to various characteristics of the Hispanic female population to understand this result. It might be observed, for instance, that 67% of Hispanic women age 25 and over completed no more than a high school education. Then, people may point out that this fact reveals Hispanic women are the least educated segment of the metro area labor force. Thus, most people might conclude that meager gains during a period of economic growth are fully explained and justified.

We take a quite different tack toward our findings. We think a better understanding should begin by observing that Hispanic women are a growing segment of the metro area's labor force. They currently make up about 17% of the labor force, and current dynamics of population increase indicate that this will grow to about 22% within the next 20 years. Hispanic men and women will probably make up around half of the labor force 20 years hence.

Another crucial observation for understanding our findings is the low level of investment that Texas, including the San Angelo community, makes in educating children. The $8,861 per student spent by the state’s public schools in 2015 ranked Texas 42nd among the 50 states for investing in public education, which averaged $11,392. If the San Angelo ISD were a state, then its $8,063 spending level per student would have ranked 48th. Think about what more our schools could have done to educate children, including a growing number of young Hispanic girls, if our community investment in public education had only matched the average level of spending per student in schools across the nation in 2015?

Today is a time when many folks are enraged by the amount of taxes they are asked to pay; a time when the Governor of Texas thinks it is best to promote more restriction on the ability of local communities to pursue tax increases.

Once again, we urge that the pathway to progress is to invest in the community, giving it the capcity to address our troubling social problems while we can.