

# POLICY BRIEF

## Migration, Job Creation and Business Formation: A Case for Texas Exceptionalism?

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### STATEMENT OF ISSUE

The Texas economy consistently exceeds national growth rates. Texas job growth has averaged over two percent since 1990, which is about twice the national rate, and GDP growth has averaged 3.6 percent in the state versus 2.5 percent for the nation as a whole. Texas could not have grown at this rate without high net migration into the state and a favorable business climate. This study examines the relationship between people migration and business formation, including business entry (startups), exit (closures) and job creation and destruction. Results suggest Texas is exceptional in several ways; the Lone Star state has among the nation's highest rates of net business formation, job creation and migration. Interestingly, high net migration is driven not by high in-migration rates but by the nation's lowest incidence of state out-migration.

### KEY FINDINGS

- Texas is the nation's top destination for people moving across states. Since 2006, Texas has had more prime working-age domestic migrants on net than any other state in the U.S.
- Texas' high net migration is due more to low out-migration than high in-migration.
- Texas has the highest population retention rate of all states. Among people nationwide who were born in Texas, 82% still live in the state.
- Texas' international in-migration rate exceeds the national average, partly as a result of being the #1 destination for Mexican immigrants.
- Texas receives more immigrants from Mexico relative to the size of its population than the rest of the U.S.
- Mexican immigrants who come to Texas tend to settle permanently—their outmigration rate from Texas is lower than in the rest of the country.
- Ample employment opportunity and a relatively low cost of living have been the key drivers attracting migrants to Texas and keeping residents from leaving the state. Over half of cross-state movers to Texas report relocating for a job.
- From 2006-2018, most major industries added jobs, led by a 51 percent job gain in leisure and hospitality, 50 percent in oil and gas, 46 percent in professional and business services, and 43 percent in education and health.
- Texas ranks second among states in net business formation and net job creation during this period.
- Texas has a higher annual business entry rate than the rest of the nation. During the 2006-2018 period, an average of 55,000 businesses were formed, at a rate of about 11 new establishments per 100 existing establishments. The average entry rate across all states was 9.7.

### POLICY RECOMMENDATIONS

- **Reduce taxes and improve the business-friendly climate.** Lower taxes and a business-friendly climate can attract and retain workers, which has been key to business and job formation.
- **Improve health and infrastructure.** Investments in health and infrastructure can attract foreign workers based on employment prospects and their skills.

### SOURCES AND FULL PAPER

