

# Q. Why do seasonal unemployment patterns in the Middle and Lower Rio Grande areas differ from the rest of the state? *by Michael J. Pisani, Ph.D.*

In the current economic malaise, unemployment and economic growth have become concerns not only in Texas, but also around the country. However, regardless of economic climate, high unemployment rates in Texas communities along the Mexican border continually outpace the state and national averages. These high unemployment rates are structural in nature—that is they just do not go away. On top of these structurally high unemployment rates along the border in South Texas, large seasonal variations play an important role in the relatively volatile quarterly unemployment swings (see table “Selected Unemployment Rates”). The Middle/Lower Rio Grande Valley border region is definitely a distinct region within Texas.

The structural unemployment in the region is related to underdeveloped human capital skills, dependent development, and poor infrastructure. Educational achievement rates in this border area are abysmal—nearly one in two adults do not have a high school diploma, and college education is beyond the reach of most (less than 15% of the adult population possessing a four-year college degree). The economic drivers of and decision-makers for the region lay outside the region—government employment, international transit (in both [il]licit goods and people), retail sales from Mexico, and financial and agricultural markets—making autonomous development problematic. Lastly, basic infrastructure for transport, health care, water, housing, and education are lacking.

Seasonal unemployment also afflicts the area. Seasonal unemployment refers to workers who are displaced because their job is only in “season” for part of the year.<sup>1</sup> In this region the agricultural

and retail sectors are very seasonal in nature requiring peak employment during the harvest and shopping holidays (e.g., Easter, Christmas). Additionally, a large number of migrant farm workers who mostly reside in the Lower Rio Grande Valley leave to harvest northern crops from about May through October and return for the winter (November through April). As such, seasonal unemployment spikes in the first quarter and ameliorates by the summer. The unemployment data also reveals an upturn in unemployment for June, a result of the school calendar and the entrance of high school students and graduates into the workplace. However, the climatic conditions of the area do allow for outdoor work to continue year-round such as construction and landscaping which is not true in the north.

**Selected Unemployment Rates**

| Year | Area*                        | Quarterly Unemployment Rates (%) |      |      |      | Annual Unemployment Rate (%) |
|------|------------------------------|----------------------------------|------|------|------|------------------------------|
|      |                              | 1st                              | 2nd  | 3rd  | 4th  | Annual                       |
| 2002 | Middle Rio Grande Valley     | 15.2                             | 12.9 | 11.1 | 12.5 | 12.9                         |
|      | Lower Rio Grande Valley      | 14.0                             | 12.9 | 13.4 | 13.6 | 13.5                         |
|      | Laredo MSA                   | 7.5                              | 7.7  | 7.1  | 6.6  | 7.2                          |
|      | McAllen-Edinburg-Mission MSA | 13.0                             | 12.2 | 13.0 | 13.3 | 12.9                         |
|      | Brownsville-Harlingen MSA    | 9.9                              | 9.0  | 10.4 | 10.5 | 10.0                         |
|      | Texas                        | 5.8                              | 6.1  | 6.1  | 6.2  | 6.1                          |
|      | U.S.                         | 5.6                              | 5.9  | 5.7  | 5.9  | 5.8                          |
| 2001 | Middle Rio Grande Valley     | 14.1                             | 12.1 | 11.1 | 12.4 | 12.4                         |
|      | Lower Rio Grande Valley      | 16.0                             | 13.0 | 13.4 | 12.7 | 13.8                         |
|      | Laredo MSA                   | 7.6                              | 7.4  | 7.0  | 6.3  | 7.1                          |
|      | McAllen-Edinburg-Mission MSA | 14.8                             | 12.3 | 13.2 | 12.1 | 13.1                         |
|      | Brownsville-Harlingen MSA    | 8.5                              | 8.9  | 9.9  | 9.5  | 9.2                          |
|      | Texas                        | 4.2                              | 4.6  | 5.1  | 5.6  | 4.9                          |
|      | U.S.                         | 4.2                              | 4.5  | 4.8  | 5.2  | 4.8                          |
| 2000 | Middle Rio Grande Valley     | 15.0                             | 12.2 | 10.0 | 11.5 | 12.2                         |
|      | Lower Rio Grande Valley      | 16.7                             | 13.7 | 13.7 | 13.6 | 14.5                         |
|      | Laredo MSA                   | 8.0                              | 7.3  | 6.7  | 6.0  | 7.0                          |
|      | McAllen-Edinburg-Mission MSA | 15.2                             | 13.0 | 13.2 | 12.8 | 13.6                         |
|      | Brownsville-Harlingen MSA    | 10.7                             | 8.7  | 8.3  | 7.6  | 8.7                          |
|      | Texas                        | 4.5                              | 4.3  | 4.2  | 4.0  | 4.2                          |
|      | U.S.                         | 4.0                              | 4.0  | 4.1  | 4.0  | 4.0                          |

\*The Middle and Lower Rio Grande Valley areas have been defined by the Texas Workforce Commission as Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde and Zavala counties and Hidalgo, Willacy, and Starr counties, respectively. The Laredo MSA, McAllen-Edinburg-Mission MSA, and the Brownsville-Harlingen MSA (metropolitan statistical area) are included to provide a continuous assessment of the border area. The data for this table was collected from the Texas Workforce Commission (<http://www.twc.state.tx.us/>).

An often overlooked aspect of the Middle/Lower Rio Grande Valley labor market is the informal nature of a large segment of the working population. Informality refers to work for pay that is conducted outside the purview of the government in otherwise legal activities.<sup>2</sup> For example, households may hire a home gardener to mow, trim plants, and water... all activities that are legal. However, most of these transactions take place away from government regulation (e.g., taxes, firm registration, social security coverage) and are thus lost in the reported numbers for the region. There is no reliable figure for the number employed in the informal sector in the region, but those who study the phenomena, I among them, might suggest twenty percent or more of economic activity occurs "under the table." This phenomena may skew the unemployment totals upwards if informals report themselves as unemployed while working undetected in the informal sector **or** skew the unemployment rate downwards if informals are working and do not report themselves as part of the civilian labor force (the latter is more likely the case as informals attempt to avoid government authority whenever possible for fear of being discovered).

The issue of unemployment rate divergence between the Middle/Lower Rio Grande Valley and Texas is an important question

deserving of serious discussion. Potential solutions (which should be the topic of another column) may embolden a region that holds much promise for Texas.

<sup>1</sup> Traditionally there are four types of unemployment: seasonal, structural, cyclical and frictional. The first two are defined in this essay, the latter two signify temporary unemployment related to economic downturns (cyclical) and workers in between employment (frictional).

<sup>2</sup> As a note, informality does not include criminal activities such as drug trafficking.

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The views expressed in the Ask the Expert column are not necessarily those of the Labor Market Information Department or the Texas Workforce Commission. Information on various topics is offered here as a service to our readers in the spirit of providing a broader understanding of the important economic issues facing the state.

The above article is reprinted here from the February 2003 issue of the Texas Labor Market Review newsletter published monthly by the Labor Market Information Department of the Texas Workforce Commission. For comments or questions regarding this article, please contact the LMI Department at (512) 491-4922 or e-mail at [lmi@twc.state.tx.us](mailto:lmi@twc.state.tx.us).