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Texas Jobs Growth Returns, but at a Slower-Than-Usual Pace

A new Dallas Fed forecast points to modest gains in 2026 as labor shortages and immigration limits restrain hiring.

Feb. 12, 2026 •
Trevor Bach, *The Dallas Morning News*, [TNS](#)

Warehouse stocker Ana Garcia puts jumbo cantaloupes from Costa Rica onto a pallet at the Taxco Produce warehouse in Dallas. (Juan Figueroa/TNS)

After [a virtually flat 2025](#), Texas will again add jobs in 2026, according to a new [employment forecast by the Federal Reserve Bank of Dallas](#), although at a pace still notably below the state's historical growth rate.

This year, the bank's forecast projected, Texas employment will grow by 1.1%, implying the addition of around 155,000 new jobs. Historically the state — which has ranked among the country's fastest growing for years — has added jobs at an annual rate of around 2%.

"We've run our models. We're going with the 1.1% growth, so that is a significant increase from zero, certainly," said Pia Orrenius, a senior economist at the Dallas Fed, during a presentation at the bank on Friday.

"It's not back to trend growth," she continued. "I don't think that trend growth is really achievable given the labor supply constraints that we're experiencing right now. So I think 1% is a good goal, and that's still a pretty good outlook for this year."

The Texas jobs forecast, Orrenius added, was also in line with national projections.

In 2025, the U.S. labor market settled into what economists characterize as a "low hiring, low firing" environment, with relatively few layoffs, even as the country experienced its weakest year of employment growth since 2020.

This year, forecasters have been predicting modest jobs growth, although on Wednesday a report from the Labor Department showed the country added 130,000 jobs in January, significantly more than expected. The federal agency also revised 2025 data sharply lower, with economists pointing out the country has added virtually no net jobs since President Donald Trump implemented his 'Liberation Day' tariffs in April.

Nationally — and especially in Texas — the slower than normal employment growth is also largely attributable to the Trump administration's restrictive immigration policies and aggressive enforcement operations, economists say. That has reduced the size of the labor market, and made it harder for firms to retain workers.

'Chilling Effect'

In a report published by the Dallas Fed in October, researchers at the bank determined that recent immigration policy changes were negatively impacting [one in five Texas businesses](#).

"The stepped-up visibility and intensity of enforcement has produced a chilling effect," the authors wrote. "As fear spreads in immigrant communities, foreign-born individuals are more likely to miss work or school and less likely to venture out to shops and restaurants."

North Texas in particular is already seeing a dramatic impact from recent changes to the H-1B visa program, Orrenius pointed out in an interview with The Dallas Morning News, which provides work permits for highly skilled immigrants, and is frequently utilized by tech firms and research organizations.

Last fall, Trump [signed a proclamation](#) imposing a new \$100,000 fee on new visas under the program, igniting [a local panic](#) among D-FW immigrant communities. In late January, Gov. Greg Abbott issued another directive [freezing H-1B petitions](#) at state universities and public agencies until the spring of 2027, claiming that some Texas employers had failed to make "good-faith efforts" to hire Texans before turning to foreign workers.

Soon after, in Frisco, a booming D-FW city with a large South Asian population, the unfolding H-1B changes also spurred a broader, contentious debate about diversity, population growth and patriotism, [The News reported](#).

Some area residents — including some wearing "America First" hats — blamed the visa program for changing the region's character, crowding schools and harming job prospects for Americans. Before the meeting, social media posts had urged residents to resist an "Indian takeover."

"I understand there's a lot of people who are upset the American Dream has been stolen," Burt Thakur, Frisco's first Indian American council member, said during the meeting. "Everybody in this room is full of love ... we may approach it in a different way, but we're [all] Americans."

The H-1B uncertainty, Orrenius said, is already hitting some North Texas single family home builders, who have cited drops in demand, while the broader ongoing immigration reduction continues to take a larger toll on both the North Texas and Texas economies.

"That's the disruption to kind of the growth model that we have," she said. "Because even in a normal year, immigration and migration into the state is more than 50% of our growth."

The decline in new arrivals has been dramatic: In 2024, according to Census data cited by the bank, Texas added 355,000 new residents from abroad and 86,000 from other states.

Last year, the state received 167,000 new international arrivals, and 67,000 domestic arrivals. This year, the bank projects, the numbers will dip to 37,000 and 53,000.

The slowing population growth has led to lower residential construction throughout Texas — although the state has actually been adding a significant number of construction jobs, largely because of the explosive growth in new data centers. Last year, construction contracts for Texas data centers added up to nearly \$11 billion, according to Dallas Fed data, more than double the figure from just a year earlier.

For several years, Texas has ranked second nationally in the metric, behind only Virginia, with Dallas-Fort Worth accounting for about half the state's estimated 388 facilities. The industry is projected to continue growing rapidly in Texas, even as it's also sparked criticism for its [heavy energy](#) and water consumption and impact on nearby residents' quality of life.

"I think about [data centers] almost like the highways and the airports that are the fundamental infrastructure of the future," Mike Rosa, senior vice president of economic development at the Dallas Regional Chamber, [told The News last year](#).

More broadly, the ongoing AI boom will also continue to boost Texas companies' productivity, the Dallas Fed projected, while the state — and particularly North Texas — will also see a notable economic lift from the upcoming World Cup.

On the other hand, after [the recent expiration](#) of Covid-era healthcare subsidies, the state's uninsured rate — already the highest in the U.S. — is expected to rise, representing an upcoming economic drag for the state.

"The real underlying strengths, the things that really make the economy grow in the long run, [are] things like human capital, whether it's education or health," Orrenius said last week. "So those are really important factors for us to watch as well."

The bank's 2026 employment growth projection comes after Texas last year added less than 11,000 net jobs, according to Dallas Fed data, but still managed a GDP increase, likely because of companies' [increasing integration of AI](#). It was the first time in more than 20 years that the state's economic output expanded even as it mostly failed to add jobs.

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