

# TEXAS

## BUSINESS — ◆ — REVIEW

Bureau of Business Research • McCombs School of Business • The University of Texas at Austin

JUNE 2005

### In a State of Change

### The Rapidly Growing and Increasingly Diverse Population of Texas

by D'Ann Petersen

Associate Economist  
Federal Reserve Bank of Dallas

and Laila Assanie

Assistant Economist  
Federal Reserve Bank of Dallas

This article is an abridged version of a chapter from a forthcoming Federal Reserve Bank of Dallas monograph titled *The Face of Texas: Jobs, People, Business and Change*.

Rich natural resources, abundant land, a central location within the United States, and a business-friendly environment have long attracted both immigrants and U.S. natives to Texas. As a result, the state has grown faster, with a younger and more diverse population, than the nation.

These rapid changes present challenges for the future. As the state's baby boomer population ages, more demands will be placed on housing, health care, and social services. Hispanics, already a dominant force in Texas, are expected to become the majority population group by 2020. The significant increase in this population (both immigrant and native) has far-reaching implications for housing, education, and the labor force. The key challenge facing Texans will be to reduce the economic and educational disparities prevalent among the state's ethnic groups as the population continues to grow and evolve.

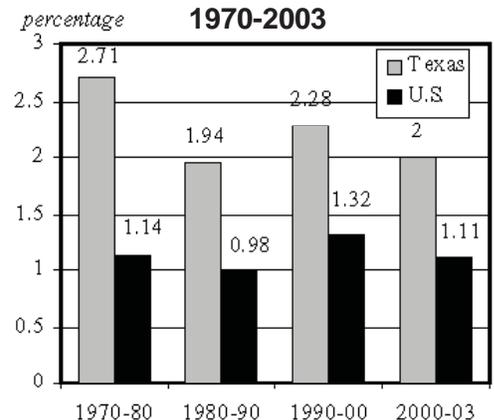
#### Texas: Big and Getting Bigger

Since the early 1900s Texas has grown faster than the United States. As figure 1 shows, growth accelerated from 1970 to 1980, as oil prices spiraled upward and people flocked to the state. During this decade, the rate of population growth in Texas more than doubled that of the nation, and even with the oil and real estate bust that followed, this rate slowed only slightly in the 1980s. In the 1990s, the state's strong economy and rapidly expanding high-tech centers drew many immigrants and residents from other states. In that decade, Texas added almost 4

million residents and surpassed New York as the second most populous state.

Even with the drastic economic downturn of 2001, which hit Texas much harder than most other areas of the nation, the state gained 1.26 million residents from 2000 through 2003, for a total of more than 22 million. Although domestic in-migration—people moving from other states within the United States—slowed during the hard economic times, the state maintained a high birth rate and strong pace of immigration. The combination of these factors—higher international immigration, a high Hispanic birth rate, and less domestic migration—resulted in the Anglo population in Texas dipping below the majority level of 50 percent in 2003 for the first time since the 1800s.

Figure 1  
Annual Growth Rate for Texas and the United States  
1970-2003



Source: U.S. Census Bureau.

Strong international immigration not only surpassed domestic in-migration as a contributor to population growth in six of the nine years during the 1990s, but also reached historic proportions as the number of foreign-born people in Texas increased by approximately 1.38 million (90.2 percent growth).

### Why the Rapid Growth?

In 2000, Texas ranked second in the country for birth/fertility rates. Because birth rates change slowly over time, large natural increases in the state's population will probably continue despite changes in economic conditions or immigration policies.

Perhaps the most important factor behind the recent population growth is the strong pace of net migration to the state. As one would expect, net migration, which includes both domestic in-migration and international immigration, was highest during the periods of greatest economic expansion—the 1970 to 1980 oil boom (58.4 percent) and the 1990 to 2000 high-tech/telecom boom (50.4 percent)—and accounted for a larger share of the state's population growth than natural increase (see table). Interestingly, even with the state's recession from 2001 through 2003, net migration remained relatively high, thanks to strong international immigration, which accounted for 44.47 percent of the population increase.

### How Has Immigration Changed the Face of Texas?

The healthy pace of population growth that began in the 1990s is due in large part to strong international immigration, which not only surpassed domestic in-migration

as a contributor to population growth in six of the nine years during the 1990s, but also reached historic proportions as the number of foreign-born people in Texas increased by approximately 1.38 million (90.2 percent growth).<sup>1</sup> Moreover, immigrants fueled population growth even during the recent economic downturn and tepid recovery: from April 1, 2000 to July 1, 2003, Texas net migration totaled 560,260 with 430,048 (77 percent) being international immigrants.

Texas is one of the most popular immigrant gateways to the United States. The state's foreign-born population share increased significantly during the 1990s and, in 2000, made up almost 14 percent of the population compared with 11 percent at the national level (figure 2). This increase triggered a rapid change in the state's ethnic composition. The number of Hispanics, by far the fastest growing segment of the population, increased during the 1990s at a pace of 54 percent, adding more than 2.3 million people. This group accounted for 35 percent of the state's total 2003 population, compared with roughly 14 percent of the nation's.<sup>2</sup> Texas ranks second only to California among states with the largest number of Hispanics.

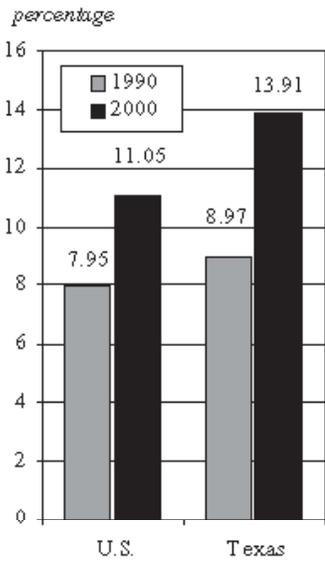
In contrast to the dramatic growth in numbers of Hispanics in Texas, the rate of growth for blacks has held steady since 1980,

**Total Population and Components of Population Change in Texas, 1950-2003**

	Population	Total increase	Natural increase	Net migration	Percent change	% change due to	
						Natural increase	Net migration
1950	7,711,194						
1960	9,579,677	1,868,483	1,754,652	113,831	24.23	93.91	6.09
1970	11,196,730	1,617,053	1,402,683	214,370	16.88	86.74	13.26
1980	14,229,191	3,032,461	1,260,794	1,771,667	27.08	41.58	58.42

Source: U.S. Census Bureau.

**Figure 2**  
**Share of Foreign-Born Population in Texas and the United States 1990 and 2000**



Source: U.S. Census Bureau.

and the Anglo population has decreased, falling below 50 percent in 2003 (figure 3). The number of people included in the “other” category has more than doubled since 1990. Hispanics’ higher-than-average birth rate suggests that this demographic segment should continue to grow at a more rapid pace than that of Anglos and blacks, even without immigration. In addition, Hispanics, on average, are younger than other groups: in 2000, the median age of Hispanics in Texas was 25.5 versus 38 for Anglos. This compares with the median age for all Texans of 32.3 and for the United States of 35.3.

**Population Projections and Implications**

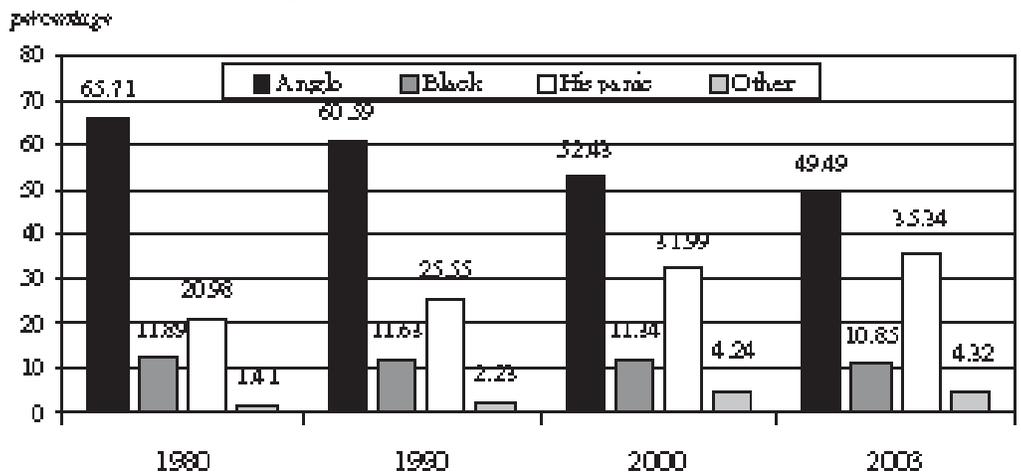
The population of Texas will change in two major ways over the next several decades. First and foremost, the increasing diversity will continue as Hispanic Texans move into the majority (figure 4).<sup>3</sup> Currently, large disparities mark socioeconomic conditions among the state’s ethnic groups. For example, compared to their Anglo counterparts, Hispanics tend to have lower levels of education, lower wages, and therefore depend more on state services. This results partly from immigration: average wages for Mexican immigrants are roughly 40 percent below those of natives.<sup>4</sup> These wage

differences reflect that these immigrants are young, have scant job experience, and speak little English. Some differences are made up after substantial time in the United States, but disparities remain between immigrants and natives.<sup>5</sup> For example, in 1999, the median household income for Hispanics in Texas was \$29,873, well below the median household income for Texas Anglos (\$47,162).

One way to reduce the wage differential is through education. However, Texas ranks second to last among the 50 states in share of population 25 and older with a high school diploma (77.8 percent).<sup>6</sup> Again, the statistics vary by population group. For instance, Anglos in Texas are much more likely to be high school graduates (79.5 percent in 2000) than their non-Anglo counterparts, especially Hispanics. In 2000, more than half the adult Hispanic population in Texas did not have a high school diploma. The disparity is largely a result of rapid Hispanic immigration into the state.<sup>7</sup>

As the Hispanic population continues to grow, the challenge to reduce the socioeconomic differences between ethnic groups will grow as well. Without such changes, the Texas workforce of the future could be less educated, less competitive, poorer, and more in need of state services such as health care and welfare.

**Figure 3**  
**Change in Ethnicity/Race in Texas, 1980-2003**

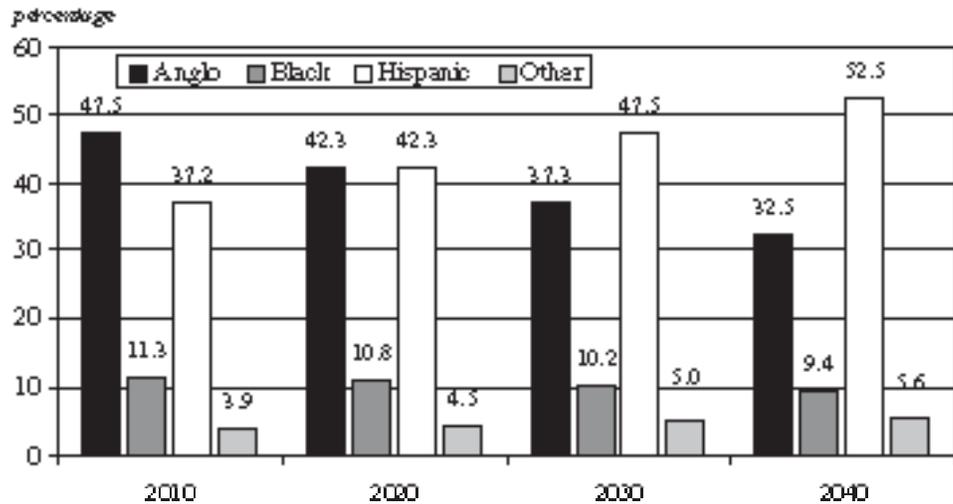


**Note:** The term “Anglos” refers to non-Hispanic whites only. The term “blacks” refers to non-Hispanic blacks of African and non-African origin. “Other” includes all people who are not Anglos, not Hispanic, and not Hispanic Blacks. Native Americans, Asians, and multi-race persons are grouped in this category.

**Source:** Texas State Data Center and U.S. Census Bureau.

Figure 4

Projected Proportion of Texas Population by Race/Ethnicity



**Note:** Assuming rate of net migration is half of that from 1990-2000.  
**Source:** Texas State Data Center.

If expectations of rapid growth hold true for the Texas Hispanic population, this group will make up a much higher percentage of most age groups by the year 2040, with only those over 65 being predominantly Anglo. The age differential between the Hispanic and Anglo populations may be important for several sectors of the state’s economy including education, housing, and state services.

The second way in which the state population will change in coming decades is in age. The overall population of both Texas and the United States is growing older. The baby boom generation is the largest segment of the population, and by 2024, the youngest boomers will turn sixty. This “graying” of the population will dramatically affect certain segments of the economy, specifically government programs for the elderly, such as Social Security and Medicare, and the health care sector. In the coming decades, the number of diseases and disorders are expected to increase in Texas, and trips to the doctor, days in the hospital, and the number of persons in nursing care facilities are all expected to rise at rates faster than the rate of growth in the population.<sup>8</sup> The health care industry is currently one of the fastest growing sectors of the Texas economy and will likely remain so as the need increases for long-term care facilities and doctors who treat the elderly.

Another sector of the Texas economy that may be affected by the aging of the population is housing. The state’s housing market overall stands to benefit from its rapidly growing population and its strong pace of international migration. However, the large baby boom segment will affect housing demand in Texas, as well as in every other state, whether boomers remain in their current homes or desire to trade up,

scale down, or purchase retirement and/or second “vacation” homes.

One factor that may mitigate some of the effects of an aging population is that the fast-growing Hispanic population has a different age structure than the Anglo population. As figure 5 shows, in 2000 the population in age groups over 30 was predominantly Anglo. Conversely, 44 percent of Texans aged 5 and under were of Hispanic heritage, compared with 39 percent of Anglos. If expectations of rapid growth hold true for the Texas Hispanic population, this group will make up a much higher percentage of most age groups by the year 2040 (figure 6), with only those over 65 being predominantly Anglo. The age differential between the Hispanic and Anglo populations may be important for several sectors of the state’s economy including education, housing, and state services.

**Conclusion**

During the 1990s, Texas grew even faster than expected, becoming the second largest state in the nation. Along with this growth, the population has grown older and increasingly diverse, no longer dominated by an Anglo majority. Hispanics account for the fastest growing segment of the state’s population and will likely make up the ma-

majority by the year 2020. Current disparities in income and education between Hispanics and Anglos pose a formidable challenge to the economic stability and growth of Texas. Hopefully, the state will reduce these socioeconomic differences through increased educational attainment and training, so that in the coming decades, the Texas workforce will continue to be one of the most competitive in the nation.

**Notes**

1. See Pia M. Orrenius and Alan D. Viard, "The Second Great Migration: Economic and Policy Implications," Federal Reserve Bank of Dallas, *Southwest Economy*, May/June 2000.
2. American Community Survey 2003, U.S.

Census Bureau.

3. Projections provided by Steve Murdock, et al., "The Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas," Center for Demographic and Socioeconomic Research and Education, December 2002, assuming population growth due to net migration is half of that from 1990-2000. See <http://.txsdc.utsa.edu>.

4. Orrenius and Viard, "The Second Great Migration."

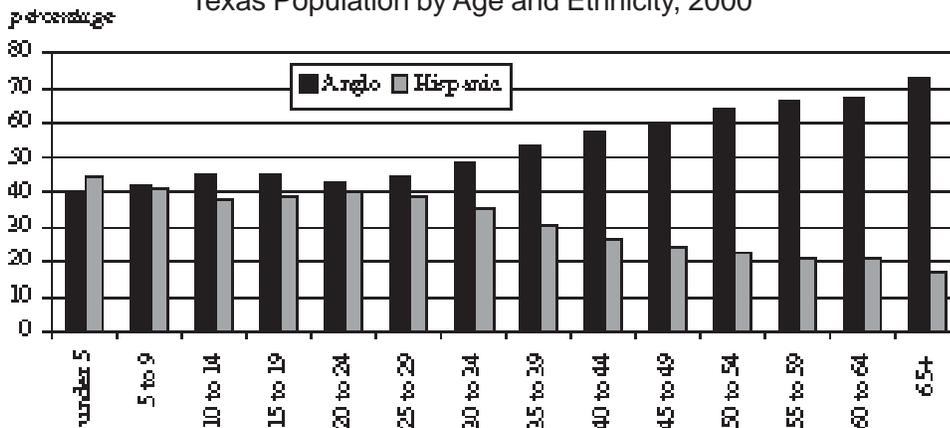
5. Pia M. Orrenius, "Immigrant Assimilation: Is the U.S Still a Melting Pot?" Federal Reserve Bank of Dallas, *Southwest Economy*, May/June 2004.

6. American Community Survey 2003, U.S. Census Bureau.

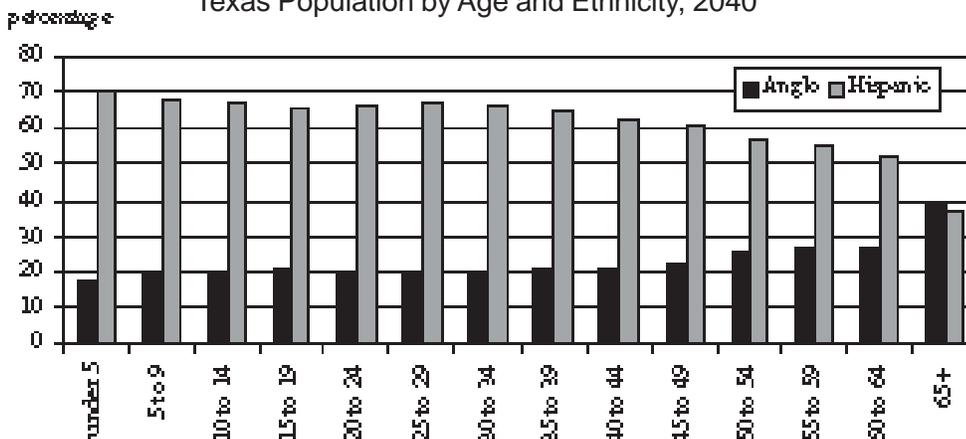
7. Orrenius, "Immigrant Assimilation."

8. See Murdock et al., 2002, for an in-depth look at how projected changes in the diversity and age of the population will affect different segments of the Texas economy. ♦

**Figure 5**  
Texas Population by Age and Ethnicity, 2000



**Figure 6**  
Texas Population by Age and Ethnicity, 2040\*



\*assuming rate of net migration to the state is equal to 1990 to 2000.

Source: Texas State Data Center

Current disparities in income and education between Hispanics and Anglos pose a formidable challenge to the economic stability and growth of Texas.

*Texas Business Review* is published six times a year (February, April, June, August, October, and December) by the Bureau of Business Research, University of Texas at Austin. Subscriptions are available free upon request. Views expressed in this newsletter are those of the authors and do not necessarily reflect the position of the Bureau of Business Research.

Research and service activities of the Bureau of Business Research focus on the ways Texas industries can become nationally and globally competitive. The Bureau is policy oriented and dedicated to public service. The Bureau is located on the sixth floor of the College of Business Administration building.

*Editor:* Bruce Kellison  
Bruce.Kellison@mcombs.utexas.edu

*Managing Editor:* Sally Furgeson  
Sally.Furgeson@mcombs.utexas.edu

*Sales Office:* (888) 212-4386  
(512) 471-1063 fax  
Rita.Wright@mcombs.utexas.edu

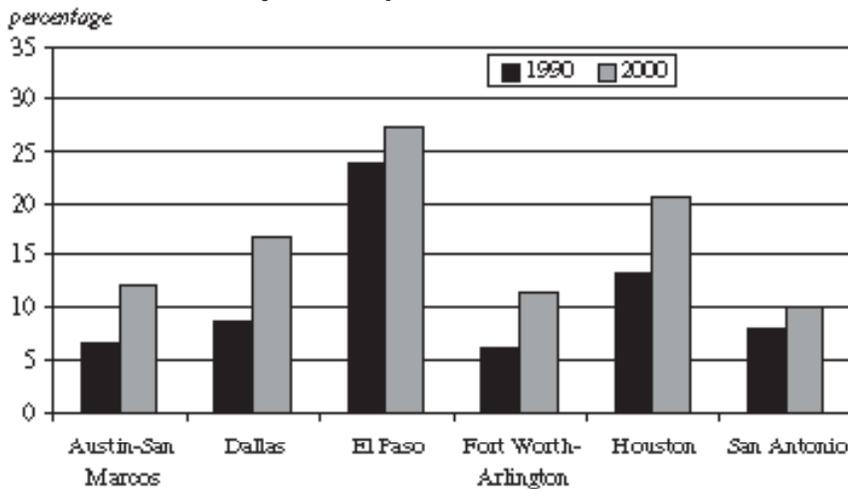
*WWW:* [www.mcombs.utexas.edu/research/bbr/](http://www.mcombs.utexas.edu/research/bbr/)

The University of Texas at Austin  
BUREAU OF BUSINESS RESEARCH  
1 University Station B8500  
Austin, Texas 78712

**Change Service Requested**

NONPROFIT ORG.  
U.S. Postage  
PAID  
Austin, Texas  
Permit No. 391

**Share of the Foreign-Born Population  
in Texas Major Metropolitan Areas, 1990 and 2000**



Source: U.S. Census Bureau.

## Announcement

For all current and back issues of **Texas Business Review**, visit and bookmark the website of the Bureau of Business Research ([www.mcombs.utexas.edu/research/bbr/bbrpub/tbr](http://www.mcombs.utexas.edu/research/bbr/bbrpub/tbr)). Featuring **TBR** issues and articles dating back to 1997, the site also contains an abundance of valuable information, articles, and data to help your business stay competitive. Much of the information is available free of charge as a service to the state. ♦