

Chapter 6: Gone To Texas: Immigration and the Transformation of the Texas Economy

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Pia M. Orrenius, Senior Economist and Vice President of the Federal Reserve Bank of Dallas, discussed how immigration had helped to transform the Texas economy, based on a 2013 report she co-authored with Madeline Zavodny and Melissa LoPalo. Making use of the American Community Survey, the Current Population Surveys, and census data, she focused the presentation on demographic and economic trends seen in the immigrant and migrant population in Texas over the past 40 years.

Orrenius began by discussing the history of immigration in Texas and its correlation to state economic cycles. She noted that large-scale immigration to Texas is a relatively recent phenomenon, beginning in the 1970s. It was not until the 1980s that the share of immigrants in Texas' population surpassed the national share—and since then, booms in low- and high-skilled immigration have correlated with booms in low- and high-skill jobs. For example, during the 1980s, as Texas's economy diversified due to a bust in oil prices and the banking sector, low-skilled immigrants began to migrate to Texas. In the following decade, a boom in high-tech jobs saw a wave of high-skilled immigration.

She then pointed to characteristics of Texas immigrants today. She showed that the majority of immigrants are from Mexico, followed by Asia and the rest of Latin America. On average, they are more likely to be of working age than are U.S. natives. They are also more concentrated at the top and bottom of the education spectrum and, on average, lag U.S. natives in schooling. Despite lower average educational attainment, they have both higher labor force participation rates and higher rates of employment than natives and than immigrants in the rest of the United States.

Turning to illegal immigration, Orrenius recapped the history of immigration policy in Texas as both a Mexican and U.S. territory, as well as the public's attitude toward unauthorized immigrants. She pointed out that some historians observe that Americans were the first unauthorized immigrants to Texas when it was a Mexican territory. Later, Chinese and Europeans became targets of immigration bans. Exemptions to immigration laws, involving Mexican citizens, were introduced in the 1920s and again in the 1940s to

¹⁴ The views in this article are solely the opinions of the author and should not be interpreted as reflecting the views of the Federal Reserve Bank of Dallas.

allow Mexican immigrants to take mostly seasonal agricultural jobs. Changes to immigration law in the 1970s and as part of the Immigration Reform and Control Act of 1986 ended Western Hemisphere exemptions and made it illegal to hire unauthorized immigrants. Today, unauthorized immigrants (about 1.8 million people) make up about 43 percent of the foreign-born population in Texas. Even with such a large number, Orrenius pointed out that for most of the 1990s and 2000s, political and public attitudes vis-à-vis unauthorized immigrants in Texas have been more tolerant than in many other states.

The economic effects of immigration, she showed, have been largely positive for Texas. Immigration has increased the labor force, helping to accommodate rapid growth and offset the aging of the native population. This immigrant increase benefits the native population through lower prices and higher returns on capital and land; as immigrants specialize in their sector or industry, they also become more productive. What's more, she said, the wellbeing of migrants "does not appear to have come at the natives' expense."

This is not to say that immigration has not posed challenges for Texas. Immigrants, on average, are poorer than U.S. natives—especially in Texas.¹⁵ According to survey statistics, immigrants in Texas also do not speak English as well as those in the rest of the country. Immigrants also make use of already sparse social services and public education, presenting fiscal costs for local and state governments.

Orrenius also discussed the demographics of migration into Texas from other states. Since 2006, Texas has become the No. 1 destination for domestic migrants, who are both U.S.- and foreign-born. Migrants from other states have skewed the state population to the higher end of the education distribution; they are more likely to have bachelor's, graduate, or professional degrees than native Texans. The largest share (23 percent) of these migrants comes from California.

To summarize, Orrenius discussed the lessons that Texas has learned from its decades of immigration and migration. The diversification brought on by the booms and busts of the energy sector has provided robust job opportunities for immigrants. This, coupled with Texas' low cost of living and relatively low tax rates, has spurred relocation to Texas for all, even for low-skilled and low-income workers, despite its "skimpy" safety net and lower levels of public services.

¹⁵ Orrenius pointed out, however, that these statistics do not adjust for Texas' cost of living, which is lower than the national average.

References

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