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’s population is faster growing, younger and more diverse than the nation’s.

These rapid demographic 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 education, housing and the labor force. The key issue facing Texas will be to reduce the economic and educational disparities prevalent among the state’s ethnic groups as the population continues to grow and evolve.

This article looks at population growth and demographic changes of recent decades. Then, with projections from the Texas State Data Center, we examine some sectors of the economy that will be challenged by these demographic forces in the coming decades.

Texas: Big and Getting Bigger

Since the early 1900s, Texas has grown faster than the nation. However, during the Texas oil boom, the state’s population growth accelerated. From 1970 to 1980, as oil prices spiraled upward and people flocked to Texas, its population grew by 2.71 percent per year, while the nation’s increased at a 1.14 percent pace (Chart 1). Even during the 1980s, which witnessed an oil and real estate bust, Texas almost doubled the nation’s population growth.

During the 1990s, Texas again exceeded expectations and grew by its largest amount yet, adding almost 3.9 million residents and surpassing New York as the second most populous state. Many immigrants and residents from other

The key issue facing Texas will be to reduce the economic and educational disparities prevalent among the state’s ethnic groups as the population continues to grow and evolve.
states were drawn to Texas’ strong economy and rapidly expanding high-tech centers, such as Austin and Dallas’ telecom corridor.

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

Why the Rapid Growth?

Two major factors are spurring Texas’ rapid population growth. One is the state’s higher-than-average birthrate. This is partly a result of the state’s Hispanic heritage and its ties to Mexico, where total fertility rates were 2.5 percent in 2004, quite a bit higher than the United States’ 2.1 percent.1 In 2000, Texas was second in the country (behind Utah) in state rankings for birth/fertility rates. Because birthrates change slowly over time, Texas will probably continue to see large natural increases in its population despite changes in economic conditions or immigration policies.

Perhaps the most important factor behind Texas’ more recent population growth is the strong pace of net migration. Historically, people have been drawn to Texas because of its abundant land and natural resources. In more recent years, people and businesses were drawn by Texas’ robust economy and favorable business climate. Net migration, which includes both domestic in-migration and international immigration, was highest during periods of greatest economic expansion—the 1970s oil boom (58.4 percent) and the 1990s high-tech/telecom boom (50.4 percent)—and accounted for a larger share of the state’s population growth than natural increase (Table 1). Interestingly, even with the state’s recession in 2001–03, net migration remained relatively high, thanks to strong international immigration, accounting for 44.5 percent of Texas’ population increase.

How Has Immigration Changed the Face of Texas?

The healthy pace of Texas’ population growth that began in the 1990s is due in large part to strong international immigration, which surpassed domestic immigration as a contributor to population growth in six of the nine years during the 1990s.2 Immigration reached historic proportions as the number of foreign-born in Texas increased by approximately 1.38 million. In addition, immigrants kept Texas population growing during the recent economic downturn and tepid recovery. From April 2000 to July 2003, Texas net migration totaled 560,260, including 430,048 (77 percent) international immigrants (Table 2).

Texas is one of the most popular immigrant gateways to the United States.

### Table 2

<table>
<thead>
<tr>
<th>Geographic area</th>
<th>Natural increase</th>
<th>Net migration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total population change (April 2000–July 2003)</td>
<td>Natural increase</td>
</tr>
<tr>
<td>United States</td>
<td>9,364,374</td>
<td>4,108,626</td>
</tr>
<tr>
<td>Texas</td>
<td>1,259,945</td>
<td>430,048</td>
</tr>
</tbody>
</table>

SOURCE: Census Bureau.
Chart 2 shows the percentage growth of the foreign-born population in the United States, Texas and the state’s six major metros during the 1990s. The foreign-born population share in Texas rose significantly during the decade and in 2000 composed 14 percent of the population compared with 11 percent at the national level.

In recent years, growth of the foreign-born has been even more rapid in Texas’ major metros than in its border metros. Between 1990 and 2000, the number of foreign-born in the major metros more than doubled (112 percent increase), while that of the border metros increased 51.6 percent, well below the state average of 90.2 percent.3

Of Texas’ major metros, only El Paso (31.5 percent) and San Antonio (54.3 percent) recorded foreign-born growth rates below the U.S. average (57.4 percent), mostly because many of the immigrants in these metros entered the state in earlier years and their second-generation children now reside there. Austin witnessed the strongest growth in the foreign-born during the 1990s (172 percent), likely due to the booming tech economy there. The share of the foreign-born in Dallas, Fort Worth and Houston grew by 152 percent, 131 percent and 94 percent, respectively. Shares of the foreign-born in the major metros are shown in Chart 3.

This increase in immigration has brought rapid change in the state’s ethnic composition. Because of Texas’ proximity to Mexico, many of the state’s immigrants are of Hispanic origin. Hispanics are by far the fastest growing segment of the population. During the 1990s, Texas’ Hispanic population grew at a pace of 54 percent, adding more than 2.3 million people. As a result, Hispanics now make up 35 percent of the state’s population, compared with roughly 14 percent at the national level.4 Among states, Texas has the country’s second-highest Hispanic population, behind only California.

Texas’ population has changed in other ways as well. Anglos’ share of the total population has fallen—no longer above 50 percent—as their rate of growth slowed in the 1990s and the first three years of this decade, while blacks still account for about 11 percent of the state’s population (Chart 4). The number of people included in the “other” category has doubled since the 1990s.5

In recent years, growth of the foreign-born has been even more rapid in Texas’ major metros than in its border metros.

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4. Source: Census Bureau.
5. Source: Census Bureau, Texas State Data Center.
The dramatic rise in Texas’ Hispanic population (both immigrant and native) has far-reaching implications. Hispanics’ higher-than-average birthrate suggests that this demographic segment will continue to grow at a more rapid pace than that of Anglos and blacks, even assuming no immigration. In addition, Hispanics, on average, are younger, which has ramifications for housing, education and the labor force. In 2000, the median age of Hispanics in Texas was 25.5 versus 38 for Texas Anglos. This compares with the median age for all Texans of 32.3 and for the United States of 35.3. Currently, because of its Hispanic heritage, Texas is the second youngest state in the nation, behind Utah.

**Population Projections**

Texas’ population will change in two major ways over the next several decades: in diversity and in age.

**Diversity.** The Texas State Data Center projects that by 2020, Hispanics will make up the majority of Texas’ population, while Anglos will fall to the second-most-populous ethnicity (Chart 5). By the year 2040, Hispanics will account for over 50 percent of all Texans, while one-third of the population will be Anglo. Blacks are expected to make up 9.5 percent of Texas’ population in 2040, and other races (not Anglo, black or Hispanic) are expected to grow to almost 6 percent of the population.6

For Texas’ border cities, which already have large Hispanic populations, the changes could be even more dramatic. For instance, El Paso, 78.2 percent Hispanic now, will likely increase to 90.3 percent by 2040. Similarly, San Antonio, with its ties to Mexican heritage, will move from 50 percent Hispanic (in 2000) to 61.1 percent in 2040. Even Austin, where Hispanics make up only 26 percent of the total today, is expected to see a major increase in its Hispanic population by 2040—up to 44 percent.

Currently, large disparities mark socioeconomic conditions among Texas’ ethnic groups. Compared with their Anglo counterparts, Texas’ Hispanics tend to have lower levels of education, have lower wages and depend more on state services. This is partly a result of immigration—Mexican immigrants tend to have average wages 40 percent below those of natives.7 These wage differences reflect that the immigrants are young, have scant job experience and speak little English.

While some of the difference between immigrants’ and natives’ wages is made up after substantial time in the United States, disparities between groups remain. Without changes in socioeconomic conditions, this implies that Texas’ future population could be less educated, less competitive, poorer and more in need of state services such as health care and welfare. Texas’ challenge is to reduce these socioeconomic differences through increased educational attainment and training, so Texas can compete in the nation’s workforce in coming decades.

**Age.** Texas’ overall population, like the nation’s, is growing older. This aging is a result of the maturing of the baby boomer generation, which makes up the largest segment of our population. In 2003, the baby boomers spanned the ages 39 to 57 (Chart 6). The youngest of the baby boomers will turn 60 by 2024. As they retire, the baby boomers will put large demands on the Social Security system and other government programs for the elderly, such as Medicare. In addition, the boomers may drive housing demand toward move-up or second homes as well as houses more popular with older adults or combined families.

One factor that may mitigate Texas’ aging population is that the fast-growing Hispanic population has a different age structure than the Anglo population. As Chart 7 shows, in 2000 the population in age groups over 35 was predominantly Anglo. For example, in 2000, 66 percent of Texans aged 55–59 were Anglo compared with 20 percent that were Hispanic. Con-
versely, of Texans aged 5 and under, 44 percent were of Hispanic heritage, compared with 39 percent Anglo.

If expectations of rapid growth hold true for Texas' Hispanic population, Hispanics will make up a much higher percentage of most age groups by the year 2040, with only those over 65 being predominantly Anglo (Chart 8). The age differential between the Hispanic and Anglo populations has important implications for education, housing and state services.

Demographics and Poverty

Texas Becoming Poorer? Texas' economy grew faster than the nation's during the 1990s, and all sectors added jobs. Employment in Texas during this period grew at an annualized average rate of 3.3 percent, above the nation's 2.2 percent. Despite this phenomenal growth in employment, Texas has the eighth highest poverty rate in the country and has not yet achieved per capita income parity with the nation.

During the 1990s, Texas per capita income grew rapidly—at an annual average rate of 7.2 percent, which exceeded the nation's 5.7 percent. Consequently, Texas, which began the decade at 89 percent of U.S. per capita income, edged up to 95 percent of the U.S. average by 2000. Moreover, poverty rates in the state declined—from 18.1 percent in 1989 to 15.4 percent in 1999—thanks to a strong economy.

Although Texans' incomes improved during the '90s, succeeding years have seen a reversal of this phenomenon. According to 2003 data, the Texas poverty rate rose to 16.3 percent and Texas nominal per capita income fell to 93 percent ($29,372) of the U.S. average ($31,632) as the Texas economy slumped into the recession that started in 2001 and lasted until mid-2003. The state's higher concentration of high-tech and transportation industries, which were the hardest hit, intensified the recession's impact. Hence, these industries shed a substantial number of high-paying jobs, pushing down the state's per capita income more so than the U.S. average. Also, Texas' recovery from the recession has been unusually weak.

Ethnic Disparities. Among ethnic groups, Hispanics are undoubtedly the largest segment in poverty in Texas. In 1999, more than 1.6 million (25.4 percent) Hispanics in Texas were poor. Their median household income was $29,873, far below the Texas average of $39,927. This is an alarming number, given the importance of this segment to Texas' future.

Blacks had the second-highest poverty rate (23.4 percent) with a median income less than that of Hispanics. Anglos fared best, with the lowest poverty rate (7.8 percent) and the highest median household income ($47,162 in 1999) in Texas.

The disparity among ethnicities when it comes to income and poverty is not surprising. Natives (predominantly Anglo) are far more likely to have a high school diploma and some college education than immigrants (predominantly Hispanic). Less-educated individuals tend to be lower-skilled workers employed in low-paying jobs. In addition, because the non-Anglo population in Texas is far younger than the Anglo population, a large percentage of non-Anglos are in their early earning years, have scant work experience and thus are more likely to have lower incomes.

Implications

If the income differential between Anglos and non-Anglos persists, a larger share of Texans could be drawn into poverty in the future. According to the Texas State Data Center, the share of households with annual incomes of $25,000 or less will increase from 30.7 percent (in 2000) to 37.5 percent by 2040. Moreover, the percentage of families with earnings exceeding $100,000 will fall from 11.5 percent to 8.5 percent. The net impact could be a decline in real earnings.
Where the Poor Reside in Texas

The poor live all over the state, but the border metros fare worst, with the highest poverty rates (see table). Although poverty rates declined in the border metros during the 1990s as the economy boomed, the share of the population below poverty level remained well above the state average of 15.4 percent in 1999. McAllen, Brownsville and Laredo had more than 30 percent of their population in poverty, while almost one-fourth of those living in El Paso were poor.

The picture for the border metros has not improved much since 1999. According to 2003 census data, Hidalgo County (McAllen MSA), Cameron County (Brownsville MSA) and El Paso County (El Paso MSA) rank among the top four counties in the United States with the highest share of individuals living in poverty.

In contrast, poverty levels in the major metros have rarely been above the state average (see table). However, they have been higher than the U.S. average in some major metros. For instance, since 1989, both San Antonio and Houston have recorded poverty rates slightly higher than the U.S. average. In fact, Houston is home to the highest number of poor Texans (623,493). Dallas traditionally has posted lower poverty rates than the nation, but the recent economic downturn pushed its rate slightly above the U.S. average. The higher poverty rates in the Texas border metros and some major metros may be a result of their above-average shares of international immigrants.

Poverty Characteristics of United States, Texas and Its Major and Border Metros

<table>
<thead>
<tr>
<th>Place</th>
<th>Individuals below poverty</th>
<th>Percent below poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>31,742,864</td>
<td>33,899,812</td>
</tr>
<tr>
<td>Texas</td>
<td>3,000,515</td>
<td>3,117,609</td>
</tr>
<tr>
<td>Austin</td>
<td>129,942</td>
<td>134,589</td>
</tr>
<tr>
<td>Brownsville</td>
<td>101,362</td>
<td>109,288</td>
</tr>
<tr>
<td>Dallas</td>
<td>322,604</td>
<td>384,146</td>
</tr>
<tr>
<td>El Paso</td>
<td>155,298</td>
<td>158,722</td>
</tr>
<tr>
<td>Fort Worth/Arlington</td>
<td>147,177</td>
<td>171,930</td>
</tr>
<tr>
<td>Houston</td>
<td>494,457</td>
<td>572,410</td>
</tr>
<tr>
<td>Laredo</td>
<td>50,116</td>
<td>59,339</td>
</tr>
<tr>
<td>McAllen</td>
<td>159,216</td>
<td>201,865</td>
</tr>
<tr>
<td>San Antonio</td>
<td>252,301</td>
<td>234,478</td>
</tr>
</tbody>
</table>

NOTE: 1999 poverty data are the latest available for Laredo MSA.

SOURCES: Census Bureau; Texas State Data Center.

Income, reduced tax revenue per household and increased burden on the state government to pay for welfare services in Texas. As the state is likely to depend progressively more on non-Anglo Texans for future tax revenues, it is important to lessen the existing wage gap and education differential between ethnic groups.

Education and the Labor Force. One way to reduce the wage gap is through education and training. In fact, according to the Texas comptroller, every dollar invested in Texas’ higher education system returns $5 or more to the Texas economy. Hence, it is essential that the education system keep up with the state’s changing demographics.

Texas’ education record is nothing to brag about. Texas ranks second to last among the 50 states in its share of the population 25 years or older with a high school diploma (only 77.8 percent). Furthermore, in 2003 several Texas cities (Dallas, El Paso, Fort Worth, Houston and San Antonio) ranked in the bottom third among major U.S. cities in shares of high school graduates.

Again, the statistics vary by race. For instance, Anglos in Texas are more likely to be high school graduates (87.2 percent in 2000) than their non-Anglo counterparts, especially Hispanics. In 2000, more than half the Hispanic population in Texas did not have a high school diploma. Anglos are also more likely to attain higher levels of education than non-Anglos, excluding Asians. According to the Pew Hispanic Center, Hispanics are half as likely as Anglos to graduate from college with a bachelor’s degree by age 26 (23.2 percent for Hispanics versus 47.3 percent for Anglos). Much of the disparity is due to rapid Hispanic immigration into the state: immigrants’ wages and education levels tend to be much lower than natives.

Hispanics are expected to make up the majority of the labor force in Texas by 2040. If this disparity between Anglo and non-Anglo high school and college graduation rates continues, the Texas economy could face several important challenges.

First, according to the Texas State Data Center, by 2040 approximately 30.1 percent of the labor force will not have a high school diploma, up from 18.8 percent in 2000. If that occurs, a higher share of Texas’ workforce would be less educated and low skilled, possibly making the Texas economy less competitive.

Second, empirical studies show that low education levels are associated with lower income levels; therefore, failure to complete high school or college negatively impacts average earnings. Earnest data from the Census Bureau demonstrate this point (Chart 9). An increasing number of less-educated laborers would reduce the average income of Texans and in turn decrease tax revenues collected by the state.

Third, overall enrollment in public schools is estimated to climb rapidly, growing at about half the state’s population growth rate, according to the State Data Center. Most of this increase in student enrollment—Hispanics by almost 100 percent and the “other” category by 71 percent—is expected to result from growth in the non-Anglo population because of its younger age structure.

Thus, state expenditure on public
education as well as the number of students requiring financial assistance could expand rapidly unless socioeconomic differences between races are reduced. Rising education costs coupled with slow growth in tax revenues would adversely impact the state's financial situation.

However, it is naive to assume that the current income differential between Anglos and non-Anglos will persist unchecked. Empirical research shows that second and third generations of immigrants are more likely than their forefathers to have access to higher level education and, therefore, are better equipped with skills required for higher paying jobs. Hence, the wage gap between non-Anglos and Anglos is likely to be reduced in the future.

For the Texas economy to remain robust, it is essential that the state's education system make progress on at least two fronts: (1) investing in resources to improve overall student achievement, and (2) developing programs that help bridge the educational attainment gap between racial and ethnic groups.

**Housing.** What does the future hold for the housing industry as Texas' population changes over the next several decades? The aging of the overall population, along with the baby boomers, will certainly impact the housing industry in Texas as well as every other state. The youngest baby boomers turn 40 this year, and boomers are turning 50 at the rate of seven every minute and will continue to do so through 2013 (see Chart 6). This segment of the population, along with aging seniors, will be among the most potent forces affecting the housing market and home ownership in the coming decades. It remains to be seen what boomers' preferences will be—whether they remain in their current homes, trade up or purchase vacation homes. Most boomers are entering the stage of life when earnings peak—thus, they may choose more affluent homes or ones featuring amenities more popular with empty nesters.

The demographic shift of the baby boom generation leaves fewer households headed by those in the starter home market, ages 25 to 34, which could mean a slowdown in starter home construction. However, immigrants and minorities, who have had historically lower home ownership rates than Anglos, will likely take up some of the slack. Home ownership is expected to increase dramatically for minority and foreign-born households in the coming decades, especially in areas that have experienced high levels of immigration, like Texas. Because Texas' Hispanic population is younger and faster growing than the overall population, many Hispanic-headed households will move into the prime home-buying age groups in the coming decades, which could give Texas homebuilders a boost.

This has important implications for the apartment market in the short run as well, with Hispanics currently more likely to rent than own. According to census data, in 2002 the U.S. home-ownership rate for Hispanics was 48.2 percent versus 71 percent for Anglos. Thus, Hispanics have the potential to become a much larger segment of the home-buying market.
Texas’ housing market stands to benefit from its rapidly growing and diverse population and its strong pace of international migration. Real estate firms of the future will be wise to market to both the increasingly older Anglo population and the younger Hispanic population. Additionally, while domestic migration dropped off during the recent economic downturn, a pickup in that segment of the population would benefit Texas housing.

**Health Care.** The aging of the Texas population plus a rapidly growing population segment with different socioeconomic characteristics than the previous Anglo majority will dramatically affect the health care industry in Texas. The number of instances of diseases and disorders is expected to increase in Texas. Trips to the doctor, days in the hospital and the number of people in nursing care facilities are all expected to rise at rates faster than the population growth rate (Chart 10). 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 and a more diverse population.

**Outlook**

During the 1990s, Texas grew even faster than expected, becoming the second-largest state in the nation. Along with this growth, the population has become older and increasingly diverse, and today it is no longer dominated by an Anglo majority. Hispanics account for the fastest growing segment of Texas’ population and will likely make up the majority by the year 2020. Disparities in income and education between Hispanics and other ethnic groups may be a challenge to Texas and its resources. The state could reduce such socioeconomic differences through increased educational attainment and training so that in coming decades, the state’s workforce will continue to be one of the most competitive in the nation.

**Notes**

The data used in this article come from two main sources, the Census Bureau and the Texas State Data Center. The two sources differ somewhat in terminology regarding race/ethnicity. Thus, in an attempt to keep the information consistent within the article, the authors use the terminology provided by the Texas State Data Center. For more information regarding the definitions of race/ethnicity, see http://txsdc.utsa.edu/txdata/redistrict/re-report.php and http://www.census.gov/population/www/socdemo/compraceho.html.

1 Census Bureau, International Database. For a definition of total fertility rates, see www.census.gov/ipc/prod/wp02/appE.pdf.
3 Major metros exclude El Paso. The number for El Paso has been included with the other border metros.
5 The term Anglos refers to non-Hispanic whites only. The term blacks refers to non-Hispanic blacks of African as well as non-African origin. The “Other” category includes all people who are not Anglos, not Hispanics and not blacks. Native Americans, Asians and multiracial people are grouped in this category.
7 See Orrenius and Viard, 2000.
8 Projections are based on the assumption that the net migration rate to the state is equal to that of 1990–2000.