

Rising Education Helps Explain Hispanic Household Income Growth in Texas

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Hispanic household income has grown considerably in real (inflation-adjusted) terms in Texas and the U.S. during recent years. Household income is calculated by adding each household member's total income from all sources, including wages, public and private pension benefits, and financial assets.

Hispanics' real median household income grew 13 percent in Texas from 2011 to 2016, compared with 11 percent nationally and 7 percent for households overall in the state (*Chart 1*). Hispanic households make up almost one-third of all Texas households.

Despite rapid growth, the Texas Hispanic median household income of \$44,579 in 2016 trails the state median income of \$56,565. The gap is narrower nationally; the U.S. Hispanic median household income is \$46,882 compared with \$57,617 for the U.S. overall.

In Texas, the share of Hispanics who are college educated is lower than it is for the total adult population. Nearly 20 percent of all people age 25 and over hold college degrees; the attainment rate drops to 10 percent for Hispanics.

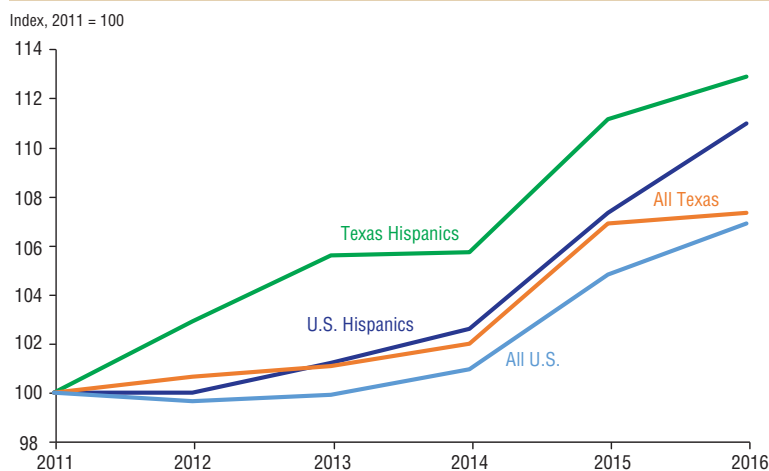
Moreover, many Hispanics are immigrants whose wages are lower due to factors such as limited English proficiency and lack of legal status. Median household income rises to \$49,900 for Hispanic households headed by a U.S. native, from \$38,580 when the head of household is foreign born.

Educational Attainment Gains

Greater education is likely driving the Hispanic income increases. The share of Hispanics age 25 and older with a high school diploma increased 1.6 percentage points to 28 percent from 2011 to 2016, while the share with bachelor's degrees rose 1.5 percentage points to 10 percent. The share without a high school diploma dropped 4.5 percentage points to 35 percent.

Chart
1

Hispanic Household Income Rapidly Rises in Texas, U.S.



NOTE: Data are inflation adjusted to 2016 dollars.
SOURCE: Census Bureau, American Community Survey.

At the same time, the Hispanic dropout rate reached a national low. This development may partly reflect a shift in the composition of the population, with slowing immigration of Mexican citizens—individuals less likely to have a high school diploma than other Hispanic immigrants—and some emigration back to Mexico.¹

Between 2005 and 2010, about 1.4 million Mexican immigrants and their children (including some from Texas) returned to Mexico. The U.S. Mexican-born population stopped growing in 2007 at the onset of the Great Recession and amid tighter immigration enforcement.²

At the same time, violence in northern Mexico likely contributed to an influx of relatively highly educated Mexicans into Texas, although the extent of that migration is unknown.

Economic Conditions Also Improve

The shale oil boom also supported improved economic conditions for Hispanics.³ The Hispanic population in Texas, which stands at nearly 11 million, rose 11 percent in 2011–16. The oil

boom resulted in more blue-collar jobs in high-paying energy and manufacturing sectors. Hispanic wages, which in Texas accounted for slightly more than 75 percent of average Hispanic household income in 2016, spiked 6.5 percent around the time of the boom.

While Hispanic households have made economic advances, income inequality remains a concern. A greater share of Hispanics live below the poverty line (22 percent) than the overall share of the state population in poverty (16 percent). Furthermore, 27 percent of Hispanics in Texas lack health insurance; the overall state uninsured rate is 17 percent.

Notes

¹ See "A Look at Immigrant Youth: Prospects and Promising Practices," by Ann Morse, National Conference of State Legislatures Children's Policy Initiative, March 2005.

² See "Net Migration from Mexico Falls to Zero—and Perhaps Less," by Jeffrey Passel, D'Vera Cohn and Ana Gonzalez-Barrera, Pew Hispanic Center, April 23, 2012.

³ See "The Texas Energy Industry: From Boom to Gloom," by Michael D. Plante and Mine K. Yücel, *Federal Reserve Bank of Dallas Annual Report 2015*.