

The New Texans

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Texas' economic success after the Great Recession attracted more U.S. residents than any other state. Similar pull factors drew a steady flow of international immigrants. In fact, Texas ranks second in the number of foreign-born residents, who account for just over a fifth of the state's population (Table 1).

According to data from the U.S. Census Bureau's American Community Survey, the majority of Texas immigrants were born in Mexico. Parallel to the national trend, Mexican immigration to Texas stagnated during the Great Recession and has remained on a flat trajectory. Given its geographic location and historical ties to Texas, Mexico will remain a primary source of immigration for the foreseeable future, but the rate of that immigration has likely peaked.

The proportion of foreign-born residents directly correlates with the size of the Metropolitan

The Takeaway

Texas ranks second nationally in the number of foreign-born residents, who currently make up more than one-fifth of the state's population. That segment of the population is changing along with the skills of its workforce.

Statistical Area (MSA). Economic diversity and the magnitude of capital flowing through larger economies

better attract individuals regardless of their birthplace. These pull factors outweigh more ostensible determinants of immigration, such as proximity to the border. Although San Antonio's population is 55 percent Hispanic (or of Latino origin), only 13 percent of the population was born abroad (Table 1). On the other hand, Houston is the most diverse MSA

Table 1. Foreign-Born Residents as Percentage of Overall Population, 2017

Geography	Percentage
Houston	31.0
DFW	22.9
Texas	20.7
Austin	17.8
San Antonio	13.1

Source: U.S. Census Bureau's 2016 One-Year American Community Survey

Table 2. Distribution of Foreign-Born Population, 2017

Rank	Texas	Austin	Houston	Dallas-Fort Worth	San Antonio
1	Mexico (51%)	Mexico (41%)	Mexico (36%)	Mexico (44%)	Mexico (62%)
2	India (6%)	India (10%)	El Salvador (8%)	India (9%)	India (4%)
3	El Salvador (4%)	China (4%)	India (5%)	El Salvador (4%)	Philippines (3%)
4	Vietnam (4%)	Vietnam (3%)	Vietnam (5%)	Vietnam (4%)	El Salvador (2%)
5	China (3%)	Honduras (3%)	Honduras (4%)	China (3%)	China (1%)

Source: U.S. Census Bureau's 2017 One-Year American Community Survey

but has the lowest proportion of Mexican immigrants relative to the foreign-born population (FBP) (Table 2).

Who Works Where, and Why?

Excluding Mexican-born residents, the distribution of origin is widely dispersed throughout Texas. India is the only other nation to account for more than 5 percent of the FBP (Table 2). At the aggregate level, the proportion of Asian immigrants jumped from 16 to 22 percent between 2005 and 2017, led by India and Vietnam. The share of African immigrants doubled over the same period, surpassing 5 percent of the FBP. Declines in Mexican immigration pulled down the aggregate share from the Americas, but inflows accelerated from Honduras, Venezuela, and Cuba.

The current family-oriented immigration system incentivizes the formation of cultural clusters, which are evident in the foreign-born distribution at the MSA level. Variations in the FBP have important implications on the local economy because different immigrant groups possess unique skills and economic profiles. For example, Mexican-born residents are three times as likely to work in construction and twice as likely to work in agriculture as the native-born population.

The skill set of an immigrant population determines its industry composition, affecting economic characteristics such as income level.

The concentration of Mexicans employed in manual labor (e.g., construction, landscaping, and restaurants) resulted in a median income below \$23,000 compared with \$30,228 for Texas natives (Table 3). The El Salvadorian population's employment and income distribution is similar

to Mexican immigrants' with slightly lower educational attainment. The migratory stagnation of these two populations over the past decade has contributed to labor shortages in construction, hindering growth in the state's housing market.

In contrast, the Indian-born population is booming with growth in the technology sector, particularly in Austin and Dallas-Fort Worth. Nearly a fifth of Indian immigrants work in computer systems design and related services, which are typically high-paying jobs that require post-secondary education. This highly trained immigrant group earns a median wage above \$70,000, on par with its educational investment.

The Chinese population also has high educational attainment levels with 67 percent possessing bachelor's degrees. In the workforce, their greatest impact is in Texas' universities and colleges. On the other hand, a large proportion of Chinese immigrants work in the restaurant and food-service industry, balancing the median wage around \$42,000.

The median wage for Filipino immigrants is slightly above their Chinese counterparts at \$43,436. Despite accounting for just 2 percent of Texas' FBP, they are three times as likely as native-born residents to work in the health care and social services sector, filling a critical void in the workforce. A quarter of Filipinos are

employed by hospitals alone.

The economic profile for Vietnamese immigrants matched that of Texas natives in terms of median income and education. This population group, however, is heavily weighted toward the service-providing sector with more than 16 percent

Table 3. Economic Profile of Texas Residents, 2016

Place of Birth	Median Wage and Earnings Income	Bachelor's Degree or Higher
India	\$70,974	78%
Philippines	\$43,326	59%
China	\$42,319	67%
U.S. (excluding Texas)	\$40,557	38%
Texas	\$30,228	24%
Vietnam	\$30,228	24%
Mexico	\$22,306	7%
El Salvador	\$22,066	5%

Source: U.S. Census Bureau's 2016 Five-Year American Community Survey (public use microdata sample)

Note: Educational attainment was calculated for adults 25 years and older.

Immigration Policy in the United States

While the drivers of domestic and international migration are similar (freedom, opportunity, and prosperity), the flow of foreign-born immigrants depends on additional factors. Economic despair and political unrest are traditional drivers of outward migration. Thus, the supply of international immigrants is subject to shocks that occur outside the U.S. Global population growth naturally increases the supply of potential immigrants as well. Domestic policies and economic conditions inside the U.S. contribute to immigration flows.

International immigration policy is controlled predominantly at the federal level. Historically, immigration was effectively unrestricted until the 1870s. The Page Act of 1875 limited Chinese immigration and set the stage for further restrictions that have fluctuated to present day. Persons labeled as “lunatics and idiots” as well as those convicted of political offenses or likely to become a public charge were also excluded at that time. In 1891, polygamists, persons convicted of crimes of “moral turpitude,” and those suffering “loathsome” or contagious diseases were added to the list.

Despite the growing set of restrictions, an influx of Eastern and Southern Europeans entered between 1900 and 1920, resulting in the admission of more than 14.5 million foreigners. In response, Congress expanded the restrictions to other “undesirables,” including alcoholics, anarchists, and contract laborers. The Immigration Act of 1917 imposed literacy prerequisites (with exceptions for Mexican agricultural workers) and established the Asiatic Barred Zone, prohibiting immigration from most of Asia and the Pacific Islands. Quotas were established shortly thereafter to combat non-Northern European immigration. Most of the Western Hemisphere, however, was exempt until the Great Depression plagued the country with rampant unemployment.

World War II Rejuvenates Demand

International immigration stalled with the economy in the 1930s, but massive deportations and nativist sentiment exacerbated the migratory halt. With most of the migratory channels limited through legislation, Mexican immigration became the central focus. A stretch of massive deportation and repatriation efforts cut the country’s Mexican-born population from 641,500 in 1930 to 357,800 by 1940.

The onset of World War II, however, shifted the U.S. labor market from destitution to hyper activity. With much of the world engulfed in conflict, Mexican immigrants once again provided a feasible and convenient

source of labor to satisfy the rejuvenated demand. The creation of the Bracero Program in 1942 assisted acute labor shortages, particularly in agriculture. This binational agreement between the U.S. and Mexico established a legal mechanism for foreign seasonal workers, guaranteeing certain living conditions (sanitation, food, shelter, etc.) and a minimum wage. Although controversial, the Bracero Program was extended multiple times before its termination in 1964.

Family- and Skills-Based System

The U.S. radically altered its immigration policy in 1965 with the passing of the Hart-Cellar Act. The law created a new system with preferences given to those with family ties to citizens or residents of the U.S. Individuals with specialized skills also received prioritized status. Hart-Cellar initially spurred Southern and Eastern European immigration for those fleeing post-war poverty. But by the 1980s, large-scale movements from Asia and Mexico accounted for the largest share of international immigration into the U.S.

Despite the shift toward immigration liberalization, the Hart-Cellar Act heightened restrictions on the Western Hemisphere. Demand for cheap labor combined with an economic crisis in Mexico led to spikes in illegal border crossings. In response, Congress passed the Immigration Reform and Control Act (IRCA) in 1986 to establish penalties for those employing illegal immigrants. The IRCA provided amnesty to an estimated one million workers already in the country illegally. The lack of rigorous enforcement of the IRCA, however, failed to curtail illegal immigration.

Fueled by technological innovation and productivity gains, the economic boom of the 1990s pushed both legal and illegal immigration to historical highs. The acceleration continued through the turn of the century until the Great Recession shocked the global economy. As was the case during the Great Depression of the 1930s, Mexicans accounted for the largest drop in immigration during the recent downturn. Between 2009 and 2014, the number of Mexicans leaving the U.S. outnumbered those entering by 140,000. According to the Pew Research Center, the number of unauthorized Mexican immigrants fell from its peak of 6.9 million in 2007 to 5.6 million in 2014. The combination of stricter labor laws and a sluggish construction industry after the housing crisis dampened employment prospects for immigrant workers. In Mexico, improvements in quality of life, decreased family size, and a growing middle class pushed fewer people north of the border.

of immigrants working in nail salons and 6 percent in restaurants and food services.

Demographic Trends and Challenges

Texas' rich natural resources, advantageous geographic location, and entrepreneurial attitude have generated a globally competitive economy over the past five decades. But many challenges lie ahead. The aging population and stagnating birth rate portend problems for future generations, weighing on labor-force participation and shrinking the working-age tax base relative to the rest of the population.

Immigration provides a tool to counteract some of the demographic trends. Immigrants typically move to Texas during prime working age, bringing a diverse set of skills to supplement the current labor force. The main industries for both domestic and international immigrants are construction, restaurants/food services, and elementary/secondary schools. The steady flow of workers suggests a shortage in these fundamental sectors of the state's economy.

Immigrants also fill gaps in the more specialized areas of the workforce. They play an important role in the growing tech industry as well as in colleges, universities, and hospitals. In this case, Texas reaps the benefits of highly skilled workers without having to invest time and money to educate them.

While increasing immigration provides many advantages, it is not uniformly beneficial. Rapid population growth can cause economic friction through higher unemployment, job-market competition, and increased burdens on public services (e.g., school systems, health care, and municipal services). Cultural and political tensions can arise as well. The ongoing immigration debate highlights many of these issues across the political spectrum. It is necessary to consider all of the contributions as well as the costs of immigration to improve the current system and to maintain Texas' thriving culture and economy. 📌

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