Immigrants Drive the Texas Economy: Economic Benefits of Immigrants to Texas

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Introduction

Texas has been recognized by our leaders as the best place to do business and an engine of job growth, creating more jobs than any other state since the Great Recession. We have a large and growing population with one in 12 Americans living in Texas, and our state had the largest population increase between 2010 and 2013. What is less well known about our population and economy is how Texas immigrants have contributed to our success story. As workers, entrepreneurs, innovators, taxpayers and consumers, immigrants in Texas are major drivers of the state’s economy.

One in six Texans is an immigrant, with over 4.2 million immigrants calling Texas home. And a third of foreign-born Texans are naturalized citizens who are over 18 years of age and are eligible to vote. Immigrants are more likely to be of prime working age and are more likely to be engaged in the workforce compared to U.S.-born Texans. Many immigrants, whether authorized or undocumented, engage in postsecondary education and skills training. And a growing number of immigrants are contributing to small business ownership and entrepreneurship.

Despite the hard work and entrepreneurial spirit of Texas immigrants, challenges exist to ensure immigrant communities and their children can thrive. Many immigrants fill jobs with low pay and few benefits to support their families, leaving far too many in poverty and with few opportunities to get ahead.

This report on Texas immigrants provides a snapshot of immigrants and their contributions to the economic and social fabric of the state. It explores demographic and economic trends of immigrants and addresses some of the key opportunities and challenges faced by authorized and undocumented immigrants. The data used in the report provide policymakers, civic leaders and the broader public with the facts and figures needed to design policies and programs that enhance the economic potential of immigrants in the state.

One-third of immigrants in Texas are naturalized citizens.
Who are Texas immigrants?

Texas is home to more than 4.2 million immigrants. Texas immigrants come from numerous countries, (Figure 1) with two-thirds coming from Mexico, Canada, Central America, and the Caribbean. Of this group, 2.5 million are from Mexico. The remaining one-third are from Asia, Europe, Africa, South America, and the Middle East. Of this group, the largest numbers come from India, Vietnam, and Germany (approximately 400,000 combined). ¹

Texas immigrants are more likely to live in urban areas of Texas, as well as the border region. The growth of immigrant communities has been fastest in urban areas; in 2012, the share of immigrants in Dallas-Fort Worth was 17.6 percent, while in the larger Houston metropolitan area it was 22.2 percent. ²

Growth in U.S. Citizenship

One-third of immigrants in Texas are naturalized U.S. citizens, and another 31 percent are lawful permanent residents. ³ The vast majority of naturalized citizens are individuals who are 18 year of age or older and eligible to vote. Naturalization is the process in which an immigrant obtains U.S. citizenship; it is considered the ultimate indicator of integration into U.S. society. It is a lengthy process that is heavily dependent on federal policy, and it is not offered to every immigrant who is lawfully present, including new arrivals and those with temporary work visas. Between 2005 and 2012, the share of Texas immigrants who are naturalized U.S. citizens grew by 2.9 percent. ⁴
And annually, the number of naturalizations has increased each year. Between 2005 and 2012 the total number of naturalizations conducted in the state increased by 49 percent during the same time period (Figure 3).

Factors that are associated with higher naturalization rates include English language fluency, higher educational attainment, and higher income. While nine out of every ten immigrants speak a language other than English at home, well over half (57 percent) speak English "well" or "very well," and 43 percent speak English "not well" or "not at all." Continuing to expand and
strengthen access to English language and other basic skills training programs for adults will be critical for Texas to continue to promote integration among immigrants.

Growth in Texas' Unauthorized Immigrant Population Slows

Roughly two in five immigrants in Texas are unauthorized — representing approximately 1.7 million out of the estimated 4.2 million foreign-born residents in Texas. More than a third of immigrants in Texas arrived after 2000, reflecting a national trend. However, growth in unauthorized immigration in Texas peaked in 2000, and since 2008, more undocumented immigrants have left the state than have moved here.

The decline in number of unauthorized immigrants in Texas can be attributed to a number of factors, including the economic recession and increased enforcement, among others. Immigration flows have typically slowed during times of economic distress and lower demand for labor. While the economic recession likely was the largest factor contributing to the increase in number of unauthorized immigrants leaving the state since 2008, growth in immigration enforcement between 2000 and 2009 has also played a role in the number of undocumented immigrants leaving the state. In 2000, an estimated 12,600 unauthorized immigrants were removed through immigration enforcement in Texas. By 2009 that number increased to an estimated 29,500, an increase of 134 percent.

It is important to note that these calculations do not include immigrants held in Texas detention centers because the Census does not count these individuals as having actually immigrated to Texas. The numbers, as a result, do not include unaccompanied minors who have recently been detained in record numbers after crossing into Texas. If all these children were allowed to remain in the United States as immigrants, they would have a negligible impact on the Texas population because they would be divided among numerous states. The Center for Public Policy Priorities is concerned for these children and recently re-released a 2008 study, "A child alone without papers," that advocates for common-sense, compassionate policies to protect their rights. While it is important to address the serious issues raised by unaccompanied minors in Texas, this report focuses on the overall economic contributions of immigrants in Texas, which have been overwhelmingly positive.

Mixed-Status Families

While few Texas children are themselves immigrants (an estimated 308,000 out of 6.95 million children), and therefore less likely to be unauthorized, many grow up in immigrant-headed households. Approximately 2 million U.S.-born Texas children have one or more foreign-born parents, including parents with citizenship, parents with some form of legal authorization, and parents with no legal authorization. Families that are comprised of at least one child and one parent of distinct immigration status are referred to as mixed-status families.

Mixed-status families can face barriers in accessing services for which one or more member qualifies. Parents of U.S.-born children may be reluctant to enroll in programs due to fear of divulging their own immigration status.
Texas' Immigrant Workers Strengthen the Workforce

Texas immigrants make up a fifth of the state's overall population of adults who are of prime working age (between 16 and 64 years of age). Of all those 16 and over, far more immigrants are of prime working age — four out of five — compared with less than three out of five U.S.-born workers. Immigrants over 16 are more likely to be working than their U.S.-born counterparts, with a labor force participation rate of 67 percent compared to 64 percent for U.S.-born Texans.

While immigrants have higher rates of participation in the workforce, they earn lower wages than their similarly educated U.S.-born counterparts. Economic research has shown that immigrant participation in the U.S. labor force has a slightly positive effect on the wages of U.S.-born workers. Between 1994 and 2007, the effect of immigration “was to raise the wages of U.S.-born workers, relative to foreign-born workers, by 0.4 percent (or $3.68 per week).” Any negative effect on wages of immigration was largely felt by other immigrant workers who arrived earlier and were more easily substituted in the workforce for newly arrived immigrants.

Aside from those with a bachelor’s degree, Texas immigrants have higher labor force participation than native workers at every education level. Compared with their share of the population, immigrants form a significantly larger part of the Texas labor force (Figure 4), and approximately 9 percent of the Texas labor force is made up of unauthorized workers.

Texas Immigrants Contribute to the Economy as Small Business Owners and Entrepreneurs

In addition to their contributions in the workforce, immigrants contribute to the state economy through small business ownership and entrepreneurship. In 2011, immigrants contributed $65 billion in economic output to the state in terms of wages, salary, and business earnings. Small businesses owned by immigrants contributed $4.4 billion in earnings to the state’s economy in 2011. This accounts for almost a fifth of total small business earnings (Figure 5). While Texas
immigrants make up 16.5 percent of the population, their contributions made up 17.7 percent of all business income in 2011 (Figure 6).

Texas immigrants increase productivity for employers and diversify the workforce. Immigrant participation in the Texas labor force at all levels allows other workers to become specialized in certain tasks, leading to an increase in productivity. This results in lower prices on goods and services for the public and increases the return on investment made in the state. In Texas, the Federal Reserve Bank of Dallas also found that despite increasing flows of immigrants to Texas in the 2000s, native workers were not displaced in the labor market, nor did their wages decrease.

Texas Immigrants, Both Authorized and Undocumented, Pay Taxes

Immigrants, regardless of their status, pay taxes in the form of property and sales tax, and other state and federal taxes such as the federal income and payroll taxes. Unauthorized immigrants, like other residents in the state, pay sales and excise taxes when they purchase goods and services like utilities, clothing and gasoline. Unauthorized immigrants also pay property taxes either directly as homeowners or indirectly as renters. And according to the Institute on Taxation and Economic Policy (ITEP,) across the country, roughly half of unauthorized immigrants pay income taxes. In Texas, ITEP estimates that unauthorized immigrants in 2010 paid over $1.6 billion in state and local taxes.

Two Ends of the Education Spectrum

A Growing Population of Highly Educated Immigrants

Texas immigrants are represented at all levels of the educational, occupational, and earnings ladders. Although our state’s immigrants are over-represented at the high and low ends of all three spectrums, a significant number are also members of the state’s middle class.
Texas is home to the 4th largest highly educated/skilled immigrant workforce in the country after California, New York, and Florida (Figure 7). Immigrants in this group have earned a Bachelor’s or an advanced degree and typically hold jobs in high-earning medicine and health care, engineering, and finance occupations.

<table>
<thead>
<tr>
<th>State</th>
<th>Number of Highly Skilled Immigrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>2,213,418</td>
</tr>
<tr>
<td>New York</td>
<td>1,051,537</td>
</tr>
<tr>
<td>Florida</td>
<td>748,063</td>
</tr>
<tr>
<td>Texas</td>
<td>676,620</td>
</tr>
<tr>
<td>New Jersey</td>
<td>566,467</td>
</tr>
</tbody>
</table>


Opportunities Remain for Increasing Educational Attainment

Like other parts of the country, Texas also has a large share of immigrants who lack a high school diploma (Figure 8). This group tends to be undocumented adults who migrate for economic reasons and stay in Texas because of its strong economic growth. It also includes immigrant family members of lawful permanent residents (LPR) — immigrants who are authorized and have obtained their "green card" — or U.S. citizens who benefit from current family-based immigration policies. Many unauthorized immigrants want to increase their educational attainment. Although adult education programs serve all immigrants, enforcement policies that keep undocumented adults in the shadows also hamper their efforts to participate in English language classes and other adult learning opportunities to prepare them for higher skilled and well-paying jobs. On the whole, few resources are available, as Texas continually underfunds adult basic education programs that provide language and literacy services. Overall, Texas only serves a small fraction of eligible adults who lack a high school diploma or GED, or have low English literacy skills.
Rising Educational Attainment among Children of Immigrants and Undocumented Immigrant Students

Second and third generation immigrants are able to overcome the educational gaps of the first generation and produce educational outcomes on par with their peers. In Texas, young people who arrived in the U.S. at a young age without documentation are completing college at high rates. The state of Texas in 2001 granted these students the ability to pursue postsecondary education while paying in-state tuition rates. Since then, this group of students has collectively earned over 10,000 degrees, including certificates, Associate’s, Bachelor’s, Master’s, and doctoral degrees from the state’s public institutions.

Among undocumented students who entered public universities in 2007 under the in-state tuition policy, the degree completion rate is higher, at 63 percent, than the overall statewide rate of 59 percent (Figure 9). Completion rates for earlier cohorts are higher, as they benefit from the passage of a longer period of time.

<table>
<thead>
<tr>
<th>Cohort</th>
<th>Public University Students*</th>
<th>Public University Completions</th>
<th>Degree Completion Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>154</td>
<td>119</td>
<td>77.3%</td>
</tr>
<tr>
<td>2003</td>
<td>275</td>
<td>217</td>
<td>78.9%</td>
</tr>
<tr>
<td>2004</td>
<td>289</td>
<td>254</td>
<td>87.9%</td>
</tr>
<tr>
<td>2005</td>
<td>474</td>
<td>333</td>
<td>70.3%</td>
</tr>
<tr>
<td>2006</td>
<td>1027</td>
<td>690</td>
<td>67.2%</td>
</tr>
<tr>
<td>2007</td>
<td>1170</td>
<td>741</td>
<td>63.3%</td>
</tr>
</tbody>
</table>

*Figures include students in all university degree programs, including undergraduate and graduate.

While the dim prospect of legal employment previously stymied the use of this accumulated human capital in the Texas economy, recent policy at the federal level has eased the restrictions on young, educated undocumented students’ eligibility for employment. In addition to its economic benefits, education also provides opportunities for immigrants to integrate and participate in society.

The continuing disparities between racial and ethnic populations in Texas threaten to reduce the state’s overall wealth and socioeconomic resources. "If such disparities are not eliminated over the long run, Texas will be poorer and less competitive," writes former State Demographer Steve Murdock.

Instead of focusing on how to realize these potential gains, recent policy discussions in the state have centered on curtailing access for immigrant students. For example, some people have called for the elimination of in-state tuition for undocumented students who are able to gain
admission to Texas universities, or worse, excluding children of immigrants from public education. Reaping the economic rewards of an educated populace will require continued investment in education for all students.

"If such disparities are not eliminated over the long run, Texas will be poorer and less competitive."

- Steve Murdock, Former State Demographer

A Skilled and Specialized Workforce

In Texas, nearly two in five immigrants work in a white-collar job, with an equal share (37 percent) working in blue-collar jobs (Figure 10). Just over one in five (22 percent) immigrants work in the service sector, while only four percent work in the farming sector, which includes farm workers and gardeners and groundskeepers.

Figure 10: Strong Footholds in White Collar, Blue Collar, and Service Sectors

Further, Texas immigrant workers are equally represented in many major occupations alongside native-born workers, as architects and engineers, health care practitioners, dental and nursing aids, mechanics, and drivers and transportation workers (Figure 11).
There are areas in the labor force where immigrants are more concentrated, including construction, food service, housekeeping, and personal and child care. Economists have shown that less educated immigrants fill manual labor jobs more easily, and highly educated immigrants fill analytical jobs.\textsuperscript{28} In both cases, specialized workers increase economic efficiency. Because fewer resources are needed to make specialized workers productive in their jobs, the price of goods and services that use significant immigrant labor decreases for all consumers. The Federal Reserve Bank of Dallas estimates that native-born Texans gain between $3.4 billion and $6.6 billion annually in income because of the effect of specialization on the price of goods and services.\textsuperscript{29}

Texas immigrants stand out in certain industries when compared with U.S. immigrants. Construction is a booming business in the state, attracting more immigrants in Texas than nationwide. About one out of five Texas immigrants works in a construction-related occupation, compared with roughly one in eight immigrants nationwide.\textsuperscript{30}
The full benefit of this contribution, however, is mitigated by wage theft, or non-payment of wages. Wage theft disproportionately affects immigrants, people of color, women, and low-wage workers. Undocumented workers in the construction industry in particular are more likely to be affected, even compared with native-born workers in the same field. Construction is one of several industries where protections are lacking, although other industries, including housekeeping and other services, also require serious attention. Preventing wage theft would promote better working conditions for all Texas workers and increase family incomes that would be paid directly back into the state economy for goods and services. Eliminating wage theft would also create a more fair and healthy business environment for businesses that comply with the law.

Texas immigrants are also more likely than other immigrants to work in the fabricating industry, which includes all levels of manufacturing: graders, sorters, assemblers and welders. One-fifth of these manufacturing jobs are held by immigrants across the American economy, while in Texas immigrants make up more than one-third of the fabricating sector.

Troubling Earnings Gap
The contributions of immigrants, undocumented and documented, high and low skilled, as employees and entrepreneurs, are a part of what makes the Texas economy a model for the country. However, one troubling finding is the persistent earnings gap between Texas immigrants and their native-born counterparts, observed at every education level except among those with an advanced degree (Figure 12). Earnings between the two groups should be on par in order to continue to attract immigrants of all education and skill levels.

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Foreign Born</th>
<th>U.S. Born</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>$22,000</td>
<td>$25,796</td>
</tr>
<tr>
<td>High school</td>
<td>$25,487</td>
<td>$33,564</td>
</tr>
<tr>
<td>Some college</td>
<td>$31,467</td>
<td>$41,274</td>
</tr>
<tr>
<td>Bachelors</td>
<td>$52,444</td>
<td>$57,784</td>
</tr>
<tr>
<td>Advanced degree</td>
<td>$78,667</td>
<td>$72,000</td>
</tr>
</tbody>
</table>


Working Hard, but Left Behind
Neither for immigrant or U.S.-born Texans does the state economy guarantee that a full-time job alone will provide a ticket to the middle class, regardless of legal status. Indeed, not even
holding multiple jobs will necessarily guarantee that a family will be able to cover its basic expenses and build assets to get ahead.  

Despite being engaged in the workforce, immigrants and their children are more likely to live in poverty. A quarter of all Texas immigrants live below the poverty line compared to 17.2 percent of U.S.-born Texans living in poverty. Of children in immigrant families, one-third live in poverty, compared with 21 percent of children in U.S.-born families. Given their strong labor force participation and diminished earnings, immigrants are more likely to be working and poor compared to their U.S.-born counterparts.

Unauthorized immigrants do not qualify for any means-tested benefits. What is less well-known is that some immigrants who are here lawfully do not qualify for public health programs. For a complete and current discussion of immigrants and public health program eligibility, see CPPP’s forthcoming report on the topic.

Combined with ineligibility for safety net programs like unemployment insurance, assistance programs, and cash transfers, immigrants who are not U.S. citizens — both authorized and unauthorized - are more economically vulnerable.

**A Path Forward**

The strength of the Texas economy is linked to the success and well-being not only of U.S.-born Texans, but also of foreign-born Texans, whether they are naturalized U.S. citizens, authorized or unauthorized. The policy choices ahead as Texas moves toward the next legislative session should be designed to enhance and build upon the contributions of Texas immigrants as workers, parents, taxpayers, students and community leaders. Policies that promote the health and well-being of immigrants also will strengthen the broader Texas community.

Access to education and well-paying jobs are the keys to moving up the economic ladder for all Texans, including immigrants. With education, Texas immigrants can build basic skills, including English literacy, and continue on a path to better jobs that provide a family-supporting wage and benefits.

Former State Demographer Steve Murdock notes that the number of workers in Texas is projected to more than double by 2050, and most of this growth will be among Hispanics, African Americans and Asian Americans. The size of the Texas non-Hispanic White labor force is expected to decrease by 2050. These immigrants and descendants of immigrants will become an even greater driver of the Texas economy than they are today. More stable employment and income will ensure their economic security and continued contributions to their family and the broader community.
Houston is home to the largest urban population of Texas immigrants. In fact, Houston is now more diverse than New York City. Of approximately 2.2 million people, 596,552 Houstonians are foreign-born. Since 1980, the city’s immigrant population has doubled, expanding its share of the overall population from 18 percent to 27 percent in 2012.

In 2009, then Mayor Bill White launched Houston Citizenship Week to celebrate many diverse communities of Houston. The annual event became Citizenship Month in 2013, and now includes hundreds of events sponsored by a broad range of community organizations. With immigrants representing over a quarter of the city’s population, in 2010 Mayor Anise Parker launched the new Office of International Communities (OIC), formerly the Office of Immigrant and Refugee Affairs, to promote the well-being and connectedness of Houston’s international community and to facilitate their successful civic, economic, and cultural integration in Houston.

In July of 2013, the city also created a language initiative that would facilitate the integration of the immigrant population by expanding the number of languages the city uses in communicating public information and providing essential city services. The intended goal is to "bridge the access gap" by addressing the language gaps. In addition, the city convenes an advisory council of leaders from the city’s international business and nonprofit communities to promote the city’s global diversity.

In Houston, the overall labor force participation rate for adults 16 years and older has remained strong at 68.2 percent, compared with 64.8 percent for Texas in 2012.

The City of Austin has initiated its own effort to welcome and integrate immigrants by joining the "Welcoming Cities & Counties" program. This growing national network of communities seeks to welcome immigrants and ensure they have the resources they need to foster economic growth and cultural vitality. Other participating cities include Atlanta, Georgia, Dayton, Ohio, and Memphis, Tennessee. As a "welcoming city," Austin offers programs to stay competitive in the global race for talent by becoming a more inclusive place for immigrants and all residents.
25 CPPP analysis of Texas Higher Education Coordinating Board data, 2014. [data set].
34 For additional information about basic family budgets across major metro areas in Texas, visit http://familybudgets.org/.