The Texas working age population (age 18-64) is projected to grow by 6.8 million people, a growth of more than 40 percent, and is expected to shift from predominantly White to predominantly Hispanic.

With low taxes and costs of living, a friendly business climate, and ample land and natural resources, the Texas economy has been growing faster than the national average for the past four decades. A growing population that is younger and more diverse than the national average is a tremendous potential asset for continued economic vitality in the decades ahead. However, the youngest and fastest-growing groups in Texas, those that will dominate the workforce in the near future, are also those that are currently furthest behind in education, health, earnings, and financial assets. The ability of businesses and the overall economy of Texas to grow depends on accelerating progress in closing today’s gaps in educational achievement and earnings potential for these groups.

By 2050, Texas is projected to grow from about 27 million people to more than 40 million people. Virtually all of this growth comes from people of color, mostly people of Hispanic origins. The Texas working age population (age 18-64) is projected to grow by 6.8 million people, a growth of more than 40 percent, and to shift from predominantly White to predominantly Hispanic.

The average Hispanic or Black child in Texas today is more likely to be born into an environment leading to poorer health, lower educational attainment, fewer employment opportunities, and less financial security than the average White child. As today’s children of color become the majority adult population, their life outcomes will define the way the Texas workforce, customer base, neighborhoods, and communities evolve. The economic stakes, along with opportunities for significant gains, are high. As we show in this brief, even a modest acceleration in improvements in life outcomes for these groups represents billions of dollars in additional earnings, tax revenues, and purchasing power in the state.

Examples of current gaps in opportunity and life outcomes

One-third of Hispanic and Black children in Texas today live in poverty, compared to 11 percent of White and 12 percent of Asian children. Hispanic and Black children are also more likely to live in neighborhoods of concentrated poverty. Hispanic and Black adults are less likely to be homeowners and more likely to be incarcerated than their White counterparts.

High school graduation rates have improved in Texas in recent years, but gaps remain – 93 percent of White, 95 percent of Asian, 84 percent of Black, and 86 percent of Hispanic students graduate.
Executive Summary

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Educational achievement past high school already lags behind employer demand. Businesses in Texas import more than 90,000 people with a post-secondary education each year from outside the state. By 2020, 62 percent of jobs in Texas are expected to require some post-secondary education. Today, 61 percent of White, 52 percent of Black, and 37 percent of Hispanic adults in Texas have some post-secondary education. As Hispanics become a larger share of the workforce, the shortfall in educational credentials will increase unless these achievement gaps are closed.

Finally, earnings are a good summary measure of gaps because they reflect the combined effect of many areas where there are disparities, including education, health, employment opportunities, and incarceration rates. The average Hispanic person in Texas earns half what his or her White counterpart earns, while Blacks on average earn about 40 percent less and Asians earn about 20 percent less. Median net worth, which affects the ability to respond to unexpected expenses or to invest in a home, education, or business, ranges from $91,000 for Whites to $28,000 for Hispanics.

Examples of potential economic gains from closing gaps

Closing gaps in education and health reduce the current gaps in earnings. If the average person of color in Texas achieved the average earnings of their White counterparts at each age group, total Texas earnings would increase by about one-third, or about $182 billion in 2015. The corresponding increase in the state’s total economic output would be $520 billion. By 2050, closing earnings gaps would increase state earnings by more than 50 percent, or $335 billion, increasing Texas economic output by nearly $2 trillion – an increase that is more than the current GDP of Canada, Australia, Korea, Spain, or Mexico.

Higher earnings mean more spending on goods and services. A $182 billion increase in earnings would mean about $18 billion more in food purchases, $5 billion in apparel and services, $24 billion in cars, gas, and transportation expenses, and $7.4 billion in entertainment. By 2050, closing earnings gaps would be associated with $34 billion more in food, $9 billion in apparel and services, $45 billion in transportation, and $13.6 billion more in entertainment spending. Earnings also bring in more tax revenues and decrease the need for social services spending, improving the fiscal outlook for the state. In 2015, closing earnings gaps would mean nearly $14 billion more in state and local tax revenues. By 2050, the additional $335 billion in earnings would generate more than $25 billion in additional state and local tax revenues.

Which path into the future?

Texans have a significant opportunity to improve educational outcomes and support a vital economy long into the future. Beyond earnings, higher education is associated with better health, longer life, less likelihood of being incarcerated, and more volunteering, charitable donations, and civic involvement.

Groups around the state are already implementing policies and programs that are successfully reducing educational gaps and improving life outcomes. Supporting and investing in these initiatives as individuals, employers, and communities is not only the right thing to do, it can create a stronger and more prosperous Texas for all.