

*Texans in their twenties:  
a window into the state's future*

By SALVADOR CONTRERAS



THE FUTURE OF TEXAS DEPENDS IN PART IN its ability to educate and train its young. So, what is the state's grade on this; is it sufficient to be competitive? Moreover, the ongoing COVID-19 pandemic raises the likelihood that the Legislature will enter the next biennium with either a hole in its budget or lowered revenue projections. A recent report by R. G. Ratcliffe suggests such a scenario (see endnote). State response to recent downturns have involved cuts to education. Arguably an important tool to advance labor force competitiveness.

The aim of this brief is to describe the stock of Texas young and high skilled labor force. Texas is in a race with other states and countries to attract the best paying jobs. To seriously compete one requires a labor force that is well trained and in large supply. We were given a sense of how competitive the state was when Amazon decided against Texas and chose New York and Virginia for its second headquarters in 2018. Amazon chose the states with the 3rd and 5th largest share of high skilled millennials over 13th Texas of 15 most populous states. Why does Texas rank so low among large states?

One potential reason is the large degree of inequality in resources and opportunities that exist in the state (see our Fall 2019 issue on inequality). A recent report by Dolores Acevedo-Garcia and coauthors (see endnote) show that the McAllen-Edinburg-Mission and El Paso Metro have among the lowest scores on their child opportunity index. Specifically, they score 3rd and 8th lowest among 100 large metros. The child opportunity index ranks neighborhoods on factors like quality of early education, number of adults with high-skills jobs, poverty, air pollution levels, and healthy food outlets. Based on their data, Austin-Round Rock and Dallas-Fort Worth-Arlington Metros had the highest scores in the state. However, all Texas metros except Austin-Round Rock is below 50 on the list of 100 metros. Higher scores are associated with better later in life outcomes like economic mobility. It appears that most Texas children live in neighborhoods with below average opportunities.

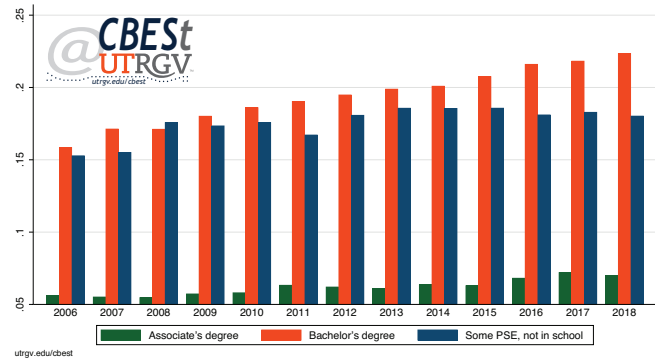


Figure 1: Texas share of vicenarians with a degree, 2006-2018

SOURCE: AMERICAN COMMUNITY SURVEY

This report focuses on Texans in their 20s (20-29). Also known as vicenarians. We begin by showing historical trends in educational outcomes and describe wage premiums. Then, we evaluate regional differences in outcomes. We show that earnings of high-skill young depend greatly on local economic opportunities. We propose that the uneven development across the state hurts the average Texan and makes the state less competitive in attracting well-paying industries.

### Skill stock

One way to observe the State's competitiveness is through educational attainment. Figure 1 presents the share of vicenarians with an associate's (only) and bachelor's degree from 2006-2018. In this 12-year period, Texas had almost no growth in the share of vicenarians with associate's or vocational degrees. In 2018, 7% held a two-year degree, up from 6% in 2006. However, the state has seen a steady increase in the share of four-year degrees over the 12-year period. In 2018, 22% held a bachelor's degree, up from 16% in 2006.

Figure 1 also shows the share of those with some postsecondary education (PSE) not enrolled in school. This is mostly flat. In 2018, 18% of vicenarians who at some point took college courses were no longer enrolled in school. In 2018, roughly half of vicenarians are accounted for by these three categories. Another 43% have some postsecondary education and are enrolled in school.

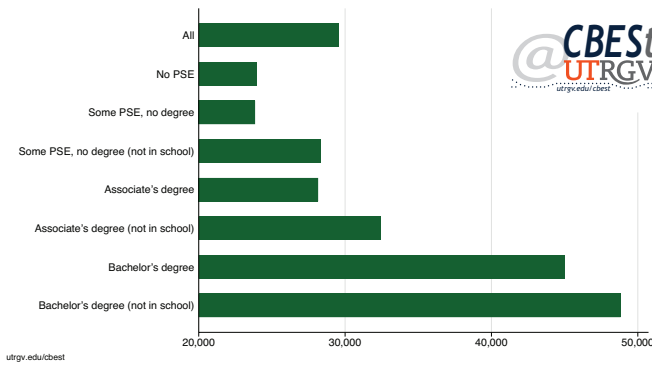


Figure 2: Texas vicenarians in the labor force average earnings, 2018

SOURCE: AMERICAN COMMUNITY SURVEY

Figure 2 presents the average earnings of vicenarians in the labor force by education level. Those with only a high school degree earn \$24,000. Adding some postsecondary education and not in school earn \$4,000 more. For those not in school, a two-year degree adds \$4,000 or \$8,000 over high school degree. However, the figure shows that there is no beating a four-year college degree. Those not pursuing further education with a bachelor's degree earn an average \$49,000 or \$17,000 premium over a two-year degree or 2 times that of only high school. It comes to no surprise that in figure 1 we observe a very small share of Texans with a two-year degree. If earnings are important, a four-year college degree is the way to go.

Regional variation

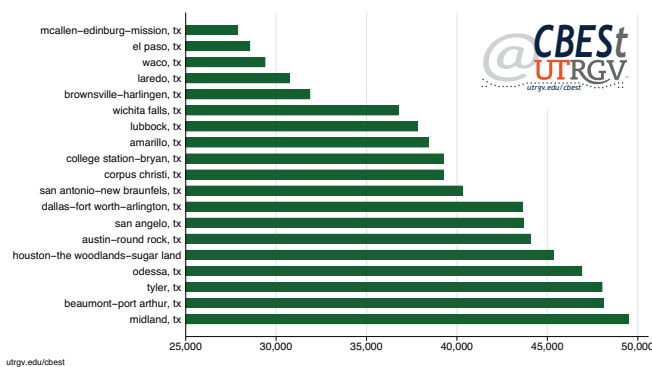


Figure 3: Texas vicenarians with bachelor's degree (not in school) average earnings by metro, 2018

SOURCE: AMERICAN COMMUNITY SURVEY

Figure 1 tells us that a bit over 1 in 5 hold a four-year degree and figure 2 that they enjoy a large premium over all other educational categories. Given the large premium in earnings, one expects a larger share with

college degrees. What's missing? Two possible answers: not enough capacity to educate more or there is a demand problem. We focus on the latter. We argue that state averages mask the influence local labor markets have over demand for a college degree.

Figure 3 shows the average 2018 earnings of vicenarians with a bachelor's degree who are not enrolled in school by metro. Notice the large variation in earnings. The average vicenarian in Midland earns 75% more than the college graduate in McAllen-Edinburg-Mission Metro. In fact, the 3rd and 8th worst scoring metros in the child opportunity index (discussed in the introduction) have the worst earnings outcomes. More in general, the border region observes a steep discount to a college degree relative to the rest of Texas. Along with Waco Metro.

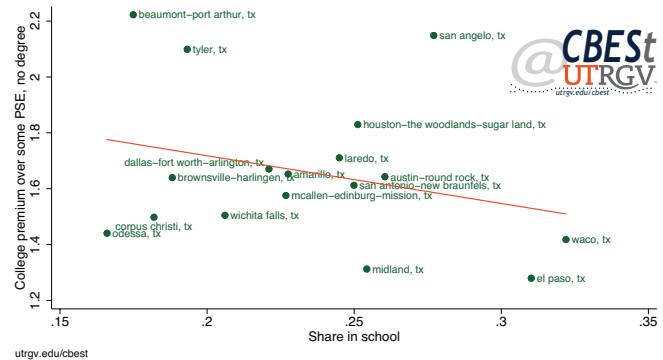


Figure 4: Texas vicenarians college premium and share in school, 2018

SOURCE: AMERICAN COMMUNITY SURVEY

Figure 4 shows the relationship between college wage premium and the share enrolled in school. For example, Beaumont-Port Arthur Metro vicenarians with a college degree, in the labor force and not in school, earn 2.2 times more than those who have some postsecondary education, no degree, not in school (y-axis). In El Paso Metro, 31% of vicenarians are in school (x-axis). We exclude Lubbock and College Station-Bryan Metro. Including them makes the trendline positive. The trendline is statistically insignificant in either case. This suggests a weak relationship between college wage premiums and the incentive to be enrolled in school. Other factors are driving the demand for postsecondary education.

An important factor influencing demand for postsecondary education is economic opportunities in the metro. To illustrate this point, figure 5 presents the relationship between median first-year earnings after college graduation and median earnings in the metro where the college is headquartered. College data is for public institutions with at least 400 earners. Earnings exclude graduate degrees. For example, median earnings in the first full year

after completing a degree at The University of Texas at Arlington is \$51,000 (y-axis). The University of Texas Rio Grande Valley and South Texas College are in a metro where the median 25 to 65-year-old in the labor force earns \$25,000 (x-axis). The figure shows a positive relationship between earnings one year after graduation and the general earnings power in the metro. The slope suggests that every \$1,000 in metro earnings is associated with \$500 in first-year earnings. The association is the same if we exclude community colleges. This suggests a strong correlation between local economic conditions and the labor market new graduates face.

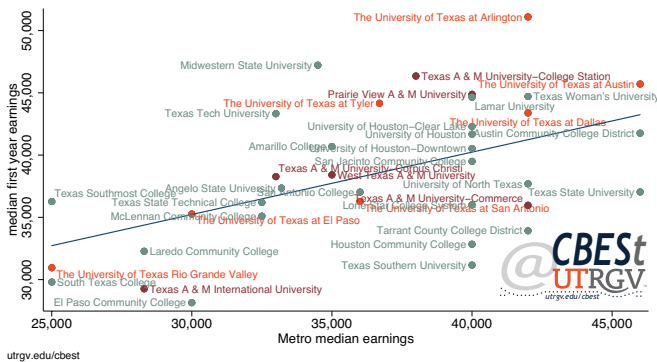


Figure 5: Relationship between first-year median income and metro median income, 2016-2017

SOURCE: AMERICAN COMMUNITY SURVEY & US DEPARTMENT OF EDUCATION

Figure 5 is consistent with work by Raj Chetty and coauthors (see endnotes) who show that income segregation among US colleges reflect the neighborhoods in which the children grow up. It suggests that earnings in the border region (as seen in figure 4 and 5) reflect a lack of opportunities for young adults.

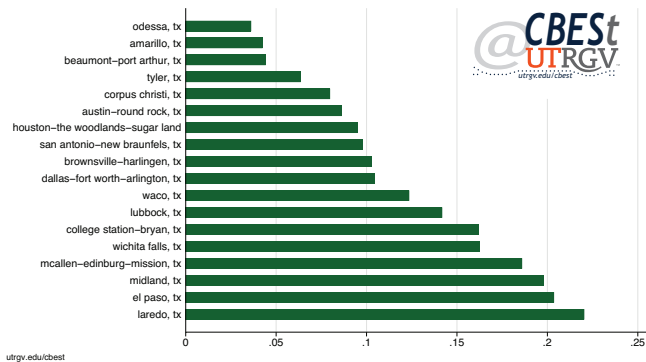


Figure 6: Share of vicenarians with a bachelor's degree, not in school, working 30 hours or less, 2018

SOURCE: AMERICAN COMMUNITY SURVEY

The jobs vicenarians with college degrees face are

highly dependent on local economic conditions. To help make this point, figure 6 shows the share of vicenarians with a college degree, not in school, who usually work 30 hours or less a week. Along border metros, 1 in 5 works 30 or less per week. This includes Midland Metro. Brownsville-Harlingen Metro is the exception where 1 in 10 do so. Part-time workers are more likely to experience larger variation in incomes, schedules, and access to benefits such as health care or paid leave.

Bottom line

Texas has an under-development problem that is evident in its ability to produce the workforce needed to compete for and attract the best paying industries. The wide variation in outcomes across the state speak to regional differences in the level of economic development and a lack of effort to equalize these deficiencies. The state must make a better job in funneling resources to its poorest regions. For example, the Texas Enterprise Fund, a tool to attract projects that offer significant job creation and capital investment to the state, reports awarding \$59 million in 2018 and 2019. First, the funds seem inadequate to compete and attract key industries to the state. Second, not one of the 18 recipients were located along the border.

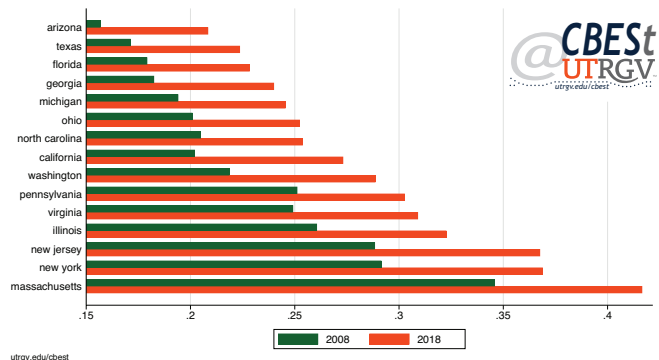


Figure 7: Share of vicenarians with a college degree in the 15 largest states, 2008 and 2018

SOURCE: AMERICAN COMMUNITY SURVEY

Finally, one is left to wonder, “what is the state’s endgame? are policymakers’ content with the current level of competitiveness?” Figure 7 provides us with a clue. The figure shows the 15 states with the largest populations of young adults. It displays the share of vicenarians in 2008 and 2018 with a bachelor’s degree. The figure makes it clear that today’s cohort of vicenarians are more educated than the cohort of 10 years ago across the selected states. The only thing that has not changed is Texas 14th place in both cohort years.

The state can do much to improve these numbers. Such as, greater investments in public education in less

developed neighborhoods, better coordination and use of regional economic development corporations, strengthening public colleges and universities roles in economic development initiatives. A different outcome requires a different approach. One that focuses on developing all corner of the state.

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#### Endnotes

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