



**SAN ANTONIO
HISPANIC
CHAMBER
OF COMMERCE**



The Impact of Education on Economic Development in Texas

Presented by
San Antonio Hispanic Chamber of Commerce
Economic Development Committee

In collaboration with
Intercultural Development Research Association
University of Texas at San Antonio

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The San Antonio Hispanic Chamber of Commerce (SAHCC) hopes the information provided in this paper guides policymakers and community leaders to develop policies and strategies that will help San Antonio and Texas businesses prosper by capitalizing on the projected higher spending potential of better educated Texas citizens and by filling future job openings by better educated Texas citizens. We are pleased to have produced this paper in order to help open discussion towards improving educational opportunities for all Texas students and correcting the under-education of the three largest and fastest growing student populations: Latinos, English language learners (ELL)², and economically disadvantaged students.

The San Antonio Hispanic Chamber of Commerce recognizes that this paper only begins to scratch the surface in addressing the complex and multi-disciplinary approach needed to successfully address the education problems facing San Antonio, Texas, and our nation. This problem stems from the unyielding nature of demographics that was years in the making and will require a long-term solution. There is a tremendous urgency to explore the concerns raised in this paper in a much more in-depth manner.

Although this problem directly impacts governance and likely requires a legislative approach, the business community needs to be fully engaged if the educational trends presented stand any chance of being addressed allowing the business community to prosper and grow under the projected demographics.

Executive Summary

Texas is a resilient and resourceful state that has not only weathered the economic recession, but is growing in the recovery. The state is home to eight of the 15 most rapidly growing large cities in the United States. If Texas were a country, it would be the world's 14th largest economy, with a GDP of over \$1.2 trillion.³ Across economic measures, job growth will continue apace in the near-term and long-term, attracting and producing new business and opportunities.^{4,5}

Texas' vast and growing human capital—the capacity of its communities, families, businesses, and individuals to seize new opportunities, develop new industries, create useful products and services, and identify solutions—is at the heart of this story. The second-most populous state in the country, Texas is in the midst of a population boom. The state's population has more than doubled in the last four decades and is on course to continue at a rapid clip.

At the center of this change, is the dramatic growth of the Latino population.⁶ As this report indicates:

- Today, Latino children in Texas represent **a majority of children in every age group**, from 0 and 17 years old.
- Between 2010 and 2050, the Latino child population in Texas is projected to **nearly double**, from 3.3 million to 6.1 million.
- Latinos will **be the majority population among 25 to 44 year old Texans by 2020**, the majority of 45 to 64 year olds by 2030, and the majority of adults age 65 and older by 2050.

This growth—of opportunity and human capital—can be defining assets to the state of Texas. **But not on its current path.**

As it stands, Texas is vastly and chronically underpreparing Latino children for the future.

- Nearly one in four Latino students and nearly one in two English language learners are **not prepared to meet reading standards in third grade.**⁷
- A large **majority of Latino students** (78 percent) **are economically**

disadvantaged and 28 percent of economically disadvantaged students are **not on target for reading by Grade 3.**⁸

- Latino students and English language learners are **substantially less prepared to meet eighth grade standards in reading and mathematics.** Today, just 47 percent of English language learners meet Texas standards in eighth grade reading and only 54 percent in mathematics.⁹
- Texas increased college enrollment rates of Latino students since 2000, but progress has stalled in the last three years; and the state is **not on track to meet its 15-year college enrollment targets for Latino students.**¹⁰

As of the writing of this paper, the Texas school finance system was found to violate the state's constitution for failing to suitably provide an adequate education for all Texas schoolchildren (*Texas Taxpayer and Student Fairness Coalition et al. v. Williams*, DC BK 14240 366, 200th Judicial District, 2014). Further, the system violated the "make suitable provision" clause in Article VII, Section 1 of the Texas Constitution because it is not "structured, operated and funded [to] accomplish its purpose for economically disadvantaged and English language learner children."¹¹

Left unaddressed, the **persistent under-education of even a small segment of Texans can result in dramatic losses** of purchasing power, foregone earnings, and losses of corporate sales and profits and tax revenue. Take, for example, this recent loss of income from just one small segment of a subgroup of the Hispanic population: In 2012, 26,500 Latino men in Texas were 25 years of age and did not have a high school diploma. If these men had a four-year college degree, the \$1,040,000 per person in additional earnings over the next 40 years translates into an aggregate of nearly \$27.6 billion. Assuming they would have spent two thirds of their earnings on goods and services other than housing and utilities (like most others in the state do), this represents a total of \$18.5 billion in additional sales and an extra \$1.2 billion in state sales taxes that we have lost out on. These numbers do not account for interest or other returns on investment that could have been generated by these additional sales.

What happens when we get it even a little right?

According to research by the Alliance for Excellent Education, as a result of an increase in Texas graduation rates of just 4.9 percent between the 2010-11 and

2011-12 school years, Texas will see **an increase of \$4.9 billion in real lifetime earnings**.¹² If the state were to raise graduation rates to 90 percent, it would yield \$919 million in increased annual earnings; \$729 million in increased annual spending, \$1.3 billion in increased home sales; \$78 million in increased auto sales; 7,600 new jobs; \$1.2 billion in increased annual gross state product; and \$42 million in increased annual state and local tax revenues.¹³

Securing a high quality education is essential to our state's economic health and prosperity:

- By 2020, two thirds of jobs nationally and 59 percent of jobs in Texas **will require post-secondary training or education**.¹⁴
- **Education increases earnings:** College graduates (with a four-year degree) earn about **\$50,000 more annually** than their peers with a high school education only.¹⁵
- **Education reduces health costs:** People with higher educational attainment are less likely to suffer from chronic illness and diseases such as hypertension, high cholesterol, diabetes, asthma, and stroke.^{16,17}
- Higher educational attainment is correlated with a state's **workforce productivity, tax base, wages, and economic vitality**.¹⁸

The importance of private and public sector partnership and strategic action to transform education in Texas—and the opportunity it represents—cannot be overstated. At minimum, action around four key recommendations is critical.

Recommendations

The following areas of focus should be given priority as public and private leaders work to improve the academic preparation of Latino students, promote workforce readiness, and further the growth of the Texas economy.

1. **Hold high expectations for every student from day one – and rigorously back them up at every opportunity.**
2. **Assure that all children are proficient in reading by the end of Grade 3.**
3. **Assure that all high school graduates are college-ready.**
4. **Increase college affordability and access.**

What we do now will determine our state's future. If Texas and the nation are to thrive and prosper, the quality of education and educational opportunity must be secured for all children.

Introduction – A Bright Tomorrow Depends on What We Do Now

Texas is a state that is both resilient and rich in resources. Over the last several years, Texas has not only weathered the recession and recovery but, by most measures, transitioned from recovery to expansion. Texas has seen growth in exports and improvement in mortgage market conditions; is the third fastest state in the nation for job growth; and the state's economy is on a path to outstrip national growth rates.¹⁹ The Texas Workforce Investment Board reports: "Job growth in Texas remains strong, having added 383,100 jobs from the beginning of June 2013 to the beginning of June 2014," representing the largest increase in 17 years. Furthermore, the state is home to eight of the 15 most rapidly growing large cities in the United States. If Texas were a country, it would be the world's 14th largest economy, with a GDP of over \$1.2 trillion.²⁰ And Latinos play a significant role in that buying power. Latino businesses currently comprise more than one in five of all businesses in Texas²¹ and Latino consumer buying power in the state already exceeds 20 percent.²²

Texas is also in the midst of a population boom. Our state's population has more than doubled in the last four decades and is on course to continue at a rapid clip. At the heart of this change, is the dramatic growth of the Latino population. Since 2012, Latino children in Texas represent a majority of children in every age group, from 0 to 17 years old. In addition, as this report forecasts, between 2010 and 2050, the Latino child population in Texas is projected to nearly double, from 3.3 million to 6.1 million. At the same time, even as Texas has achieved important gains, our state is chronically underpreparing Latino students for academic success, at every benchmark—from early childhood enrollment, to fourth grade and eighth grade achievements, to college enrollment and completion.

Demographics and diversity are not the problem; Texas thrives in being a young and diverse state. Under-educating our largest and fastest-growing population is. As this report shows, persistent under-education comes at a significant cost, impacting individuals, families, businesses, and state and national vitality and prosperity.

The need for reform is widely recognized. As of the writing of this paper, the Texas school finance system was found to violate the state's constitution. State District Court found that Texas has failed to meet its constitutional duty to suitably provide for Texas public schools because the school finance system is structured, operated and funded so that it cannot provide a constitutionally adequate education for all Texas schoolchildren (*Texas Taxpayer and Student Fairness Coalition et al. v. Williams*, 200th Judicial District, 2014). Further, the system violated the "make suitable provision" clause in Article VII, Section 1 of the Texas Constitution because it is not "structured, operated and funded [to] accomplish its purpose for economically disadvantaged and English language learner children."²³

The good news is, if we have the will to take smart, effective steps, we know what is needed to produce different results. Our state has the experience, research base, and expertise to point the way. If we dedicate ourselves to recognizing and investing in what works in education, to dramatically accelerating our successes, and to bringing those successes to scale, we can change course.

And we must.

What we do now will have everything to do with the vitality and prosperity of individuals, families, businesses, and our economy as a whole. Each sector must play a key role. The future of our state is intertwined with the future of Latinos. We must get education right.

The Growing Dominance of Latinos in the Future Population of Texas

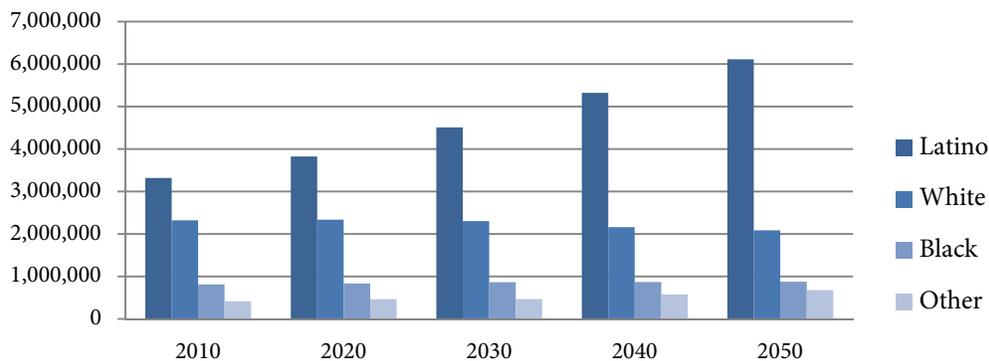
Latinos will increasingly drive the future of the Texas population in the coming decades.²⁴ Latinos are already the numerical majority group among the 0-17 and 18-24 age groups. This pattern will emerge among older age groups in the coming decades.

The child population is projected to increase by 42 percent between 2010 and 2050, climbing from nearly 6.9 million in 2010 to 9.7 million in 2050. Latinos will primarily be responsible for this change. Indeed, the Latino child population is projected to *nearly double* from 3.3 million in 2010 to 6.1 million in 2050. In contrast, the white child population is projected to decline from 2.3 million in 2010 to nearly 2.1 million in 2050. The black child population is projected to remain fairly stable increasing from 810,543 in 2010 to 875,007 in 2050.

“The future of Texas will be tied to its minority populations, and how well they do is how well we will do.”

– Former State Demographer,
Steve Murdock

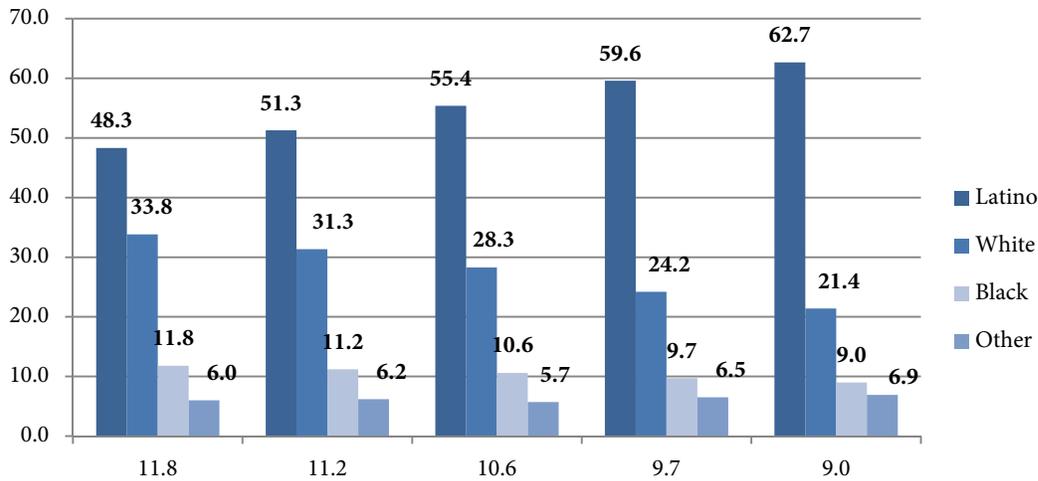
Projected Texas Child Population by Race/Ethnic Group, 2010 to 2050



Source: 2012 Population Projections for the State of Texas, 2010 to 2050 (based on middle projections: 0.5 2000-2010 migration scenario).

Latinos will account for an increasing share of the state’s child population ascending from 48 percent in 2010 to 63 percent in 2050, while the white child population will decline significantly as will the black child population to a certain degree. By 2050, we can anticipate that more than three of every five children in Texas are likely to be Latino, while about one of every five is likely to be white and one of 11 is likely to be black.

Projected Percentage of Texas Children by Race/Ethnic Group, 2010 to 2050



Source: 2012 Population Projections for the State of Texas, 2010 to 2050 (based on middle projections: 0.5 2000-2010 migration scenario).

Latinos as a Majority of College- and Working-Age Texans

Latinos already comprise the majority group of college-age (age 18 to 24) adults in Texas; between 2010 and 2050, the Latino population of young adults is expected to climb from 43 to 61 percent. In contrast, the portion of whites among this age group is projected to fall from 39 percent in 2010 to 23 percent in 2050.

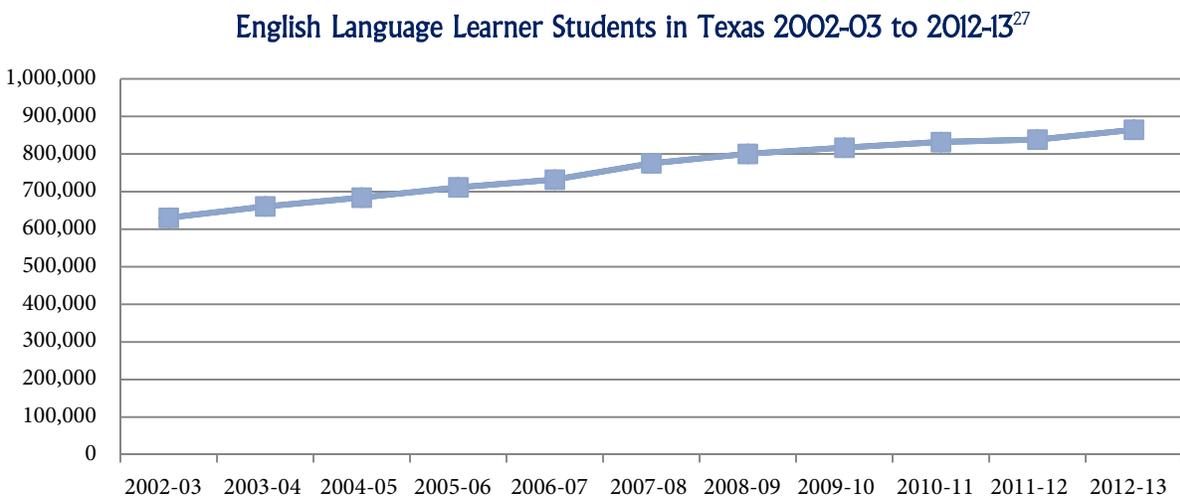
Among working-age and older adults, Latino Texans are projected to increasingly be a majority. Latinos will be the majority population among 25- to 44-year-old Texans by 2020, the majority of 45- to 64-year-olds by 2030, and the majority of adults age 65 and older by 2050.

Of particular significance, the Texas labor force is projected to become increasingly Latino and decreasingly white. The Latino population 18 to 64 years—accounting for the bulk of the labor force—is projected to more than double between 2010 and 2050 rising from 5.6 million in 2010 to 12.9 million in 2050. In contrast, the white population 18 to 64 years is expected to fall by 16 percent from 7.3 million in 2010 to nearly 6.2 million in 2050. Further, it is projected Latinos 18 to 64 years of age will outnumber whites in this age group by 2020 with the gap becoming more profound over time. Indeed, by 2050, Latinos

are expected to account for 55 percent of the 18-64 segment of the labor force compared to 26 percent for whites. Put simply, Latinos will increasingly be bearing the brunt of the load of the labor force in the coming decades.

Growth of English Language Learners

In the decade between 2001-02 and 2011-12, the number of students identified as English language learners enrolled in Texas public schools grew by 37.2 percent.²⁵ More than 830,000 students in Texas public schools are ELLs. While not all ELLs are Latino or speak Spanish as a first language, in Texas, 91 percent of children identified as ELLs are Latino.²⁶



Source: 2013. Texas Education Agency, *Enrollment in Texas Public Schools, 2012-13*

The Majority of Texas Students are Low-Income Students

The percentage of economically disadvantaged children increased 43.7 percent between 2001-02 and 2011-12 in Texas. Today, 60.3 percent are economically disadvantaged. A large majority of Latino students enrolled in Texas public schools (78 percent or 2 million) are economically disadvantaged.²⁸ The demographic, educational, and economic patterns described above have major implications for the future of Texas as well as the nation.

Education is the Key to Economic Competitiveness and Prosperity

Education Increases Individual and Household Income

Even accounting for inflation and the rising costs of college, education *means more to individual economic outcomes than ever before*. Research shows that Millennials (the generation born after 1980) who graduate from college do better than their peers with less education *on every economic measure,*²⁹ including *having* lower unemployment rates and shorter periods of unemployment.

The earnings gap in households headed by college-educated adults was just \$22,000 above those with a high school diploma in 1979; today that gap has more than doubled to \$50,000.³⁰

Education Provides for a Healthier, More Career-Ready Workforce

Texas' job growth is expected to outstrip that of the nation over the next decade.

Compared to a U.S. labor market growth rate of 4.4 percent by 2017, Austin is projected to grow by 9.7 percent; Houston by 8.7 percent; and San Antonio by 8.6 percent.³¹

By 2018, Texas will need to fill approximately 4 million job vacancies created by retirement, over half (2.2 million) of which will require post-secondary credentials. Metropolitan (metro) centers in Texas are anticipated to see significant growth in high-wage positions. Career Builder EMSI reports, "Judging by projected high-wage growth, no big metro is expected to be in better shape than San Antonio." Low- or mid-wage jobs in Texas' major metro areas also will grow, but rates are anticipated to be slower.

"Sixty-one percent of occupations expected to grow by 8 percent or more require a college degree. Associate degree and master's degree occupations are each projected to grow 8 percent, while jobs requiring short-term on-the-job training trail at 4 percent."

*—America's Job Outlook
Occupational Projections 2013-2017,
Career Builder and EMSI*

Yet, as the baby boomer generation retires, companies are replacing tenured workers who possess valuable institutional knowledge with a younger, more diverse workforce possessing lower overall educational and credential attainment levels.

The state’s economic growth, combined with these demographic changes, will necessitate an increased emphasis on ensuring that all youth complete high school and continue into some level of postsecondary education and training.”³²

The Center on Education and the Workforce reports the economy shed far more jobs (four out of five jobs in recent years) requiring a diploma or less—and most economists agree these jobs will not return. Even jobs in advanced manufacturing, once considered low-level, are now more technologically-complex in ways that require post-secondary education or training.³³

In addition to increasing income and improving job and career readiness, educational attainment is strongly associated with better health for individuals and their families. Examining this correlation in depth, economists David Cutler and Adriana Lleras-Muney find that education has a significant impact on mortality and the incidence of both acute and chronic diseases (hypertension, high cholesterol, diabetes, asthma, and stroke, among other diseases). People with more education, economists find, are less likely to suffer from these diseases.³⁴ Reduced healthcare costs—and loss of productivity due to illness—benefits businesses and the economy as a whole.³⁵

Educational Attainment Boosts State-Level Economic Prosperity

Budget and policy experts Noah Berger and Peter Fisher find that investments in education create a necessary foundation for a state’s economic success and shared prosperity. “Providing expanded access to high quality education,” Berger and Fisher report, “not only expand economic opportunity for residents, but also likely do more to strengthen the overall state economy than anything else a state government can do.”³⁶

“A study by Federal Reserve economists examined the factors contributing to greater state prosperity over a 65-year period and found that a state’s high school and college attainment rates were important factors in explaining its per capita income growth relative to other states”

– *A Well-Educated Workforce Is Key to State Prosperity*, Berger and Fisher, 2013

According to research by the Alliance for Excellent Education, thanks to improvements in Texas graduation rates between the 2010-11 and 2011-12 school year, Texas will see an increase of \$4.9 billion in real lifetime earnings. If the state were to raise graduation rates to 90 percent, it would yield \$919 million in increased annual earnings; \$1.3 billion in increased home sales; \$78 million in increased auto sales; 7,600 new jobs; \$1.2 billion in increased annual gross state product; and \$42 million in increased annual state and local tax revenues.³⁷

Today, just 34.5 percent of working-age adults in Texas hold an associate's degree or higher.³⁸ Less than one in five (17.2 percent) of working-age Latino adults in Texas, compared to 44.6 percent of white adults has attained an associate's degree or higher.³⁹

Texas is on course to see a significant workforce readiness gap without a substantial increase in college completion rates. To change this picture, our state must address gaps in educational preparation and achievement across the preK-20 spectrum, particularly for Latino students, economically-disadvantaged students, and English language learners.

Underpreparing Major Student Subgroups across PreK-20 Spectrum

Across the education spectrum, from early childhood to higher education, even as the state has achieved important gains, Texas continues to under-educate minority students, low-income students and English language learners.

Nearly One in Four Latino Students Not Ready by Grade 3

Five decades of research shows that gains in early education are crucial to later learning, with the most recent and comprehensive analysis on the impact of early education showing that quality early education has “a substantial impact on children’s cognitive, social, and emotional development and school outcomes,”⁴⁰ and sets the stage for learning and academic success in later years. However, Texas ranks 30th in preschool investment, and meets only two out of 10 research-based benchmarks for providing a quality early childhood education program.

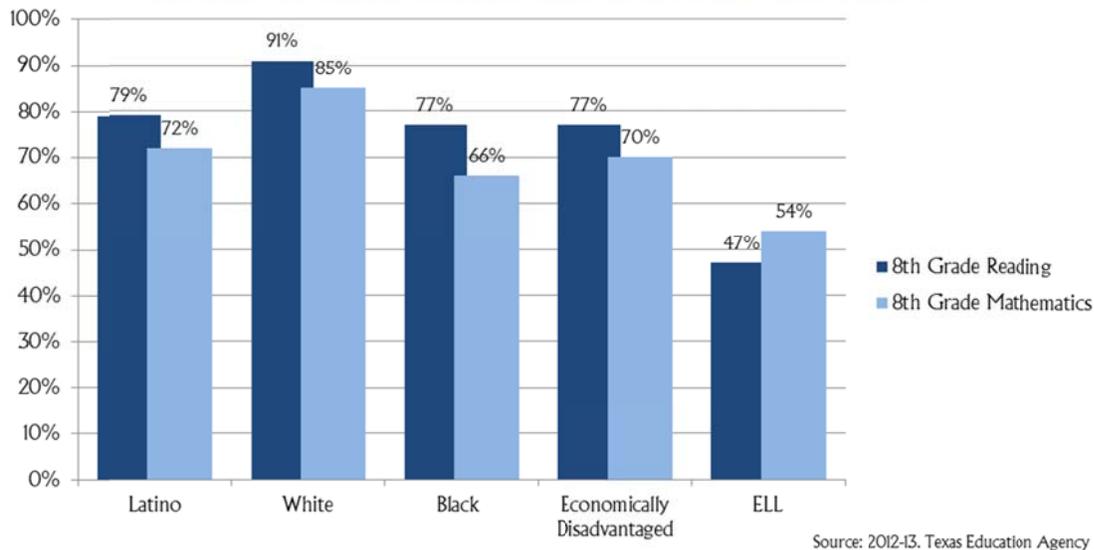
By third grade, a large percentage of students is not on target in reading and mathematics, particularly among Latino students, English language learners, and economically disadvantaged students. Eleven percent of white students are not prepared to meet state-level academic standards in reading in third grade; however, 24 percent of Latino students; 28 percent of economically disadvantaged students; 30 percent of African American students; and 46 percent of English language learners are not on target for reading by Grade 3.⁴¹ In third grade mathematics, 20 percent of white children are not prepared to meet third-grade standards compared to 34 percent of Latino students, 40 percent of economically disadvantaged students, and 49 percent of English language learners. Federal data show that in 2013, 83 percent of Texas Hispanic students scored below proficient in fourth grade reading, compared to 54 percent of their white peers.⁴²

Eighth Grade Achievement Gaps

The transition from eighth to ninth grade is a pivotal point in many students’ education. In the midst of the move from middle school to high school, students

who are struggling academically or feeling disconnected from school, are at much higher risk of missing school, being held back and, ultimately, dropping out. While dropping out is almost always the culmination of a long-term process of disengagement, for many students ninth grade is a “make or break year.”⁴³ Research on student achievement in Texas indicates that far fewer Latinos, economically disadvantaged students, and English language learners are prepared to meet eighth grade reading standards compared to white students; and all groups experience worse outcomes in mathematics than in reading, especially ELLs. Just 54 percent of ELLs meet eighth grade mathematics standards.

**Eighth Grade Reading and Mathematics
STAAR Percent at Phase-in Level II or Above, TEA 2012-13**



College Readiness and Enrollment Gaps

Texas has made progress toward meeting the milestones established in its 2000 launch of its Closing the Gaps by 2015 Initiative for higher education. Overall high school readiness improved from 2003 to 2012, and Texas exceeded its 2015 goals in the number of undergraduate credentials awarded.⁴⁴ Latino student enrollment in colleges and universities in Texas has increased since 2000, but in recent years, progress has stalled. According to the Texas Higher Education Coordinating Board: “Hispanic enrollment is not on track to reach the final target. A total of 526,310 Hispanic students were enrolled in fall 2013, almost 285,000 more students than in fall 2000 and about 11,000 more than in fall 2012, but enrollment has been falling below the target trend line for three straight years.”⁴⁵

Preparation is a significant issue. Today, just 57 percent of all students statewide, 48 percent of Hispanic students, and only 8 percent of English language learners in Texas graduate from high school college-ready.⁴⁶ In addition, Texas trails the nation and peer states (California, Illinois, Michigan, New York, Ohio, Pennsylvania and Florida) in college participation in the awarding of degrees and credentials in rapidly-growing STEM (Science, Technology, Engineering, and Mathematics) fields.⁴⁷

Educational Attainment Gaps among Working-Age Adults

As shown below, Latinos age 25 and older had a national average of 11.1 years of schooling in 2012; 64.1 percent had a high school diploma or equivalent; and only 14 percent graduated from college (bachelor's degree or higher). In contrast, non-Latinos had an average of 13.6 years of education; 90 percent were high school graduates; and 31.6 percent were college graduates. These disparities were even wider when comparing Latinos with non-Latino whites. This group had an average of 13.7 years of schooling, 92 percent were high school graduates, and one-third (33 percent) had at least a bachelor's degree. The Latino/non-Latino schooling gaps were narrower when comparing Latinos to non-Latino blacks, but the gaps were still significant. Non-Latino blacks had an average of 12.8 years of education, 84 percent were high school graduates, and 19 percent were college graduates.

Latinos fared worse in Texas; only 61 percent had a high school diploma and only 12 percent had a bachelor's degree or higher. This is in contrast to non-Latinos – including whites and blacks – in the state, who had slightly more education than the national average.

Educational Attainment of Latinos and Non-Latinos, Ages 25 and Above, in the United States and Texas in 2012

Educational Attainment	Entire Population		Born in U.S.	
	U.S.	Texas	U.S.	Texas
Latinos				
Years of education	11.1 years	10.8 years	12.5 years	12.2 years
Has high school diploma	64.1%	61.3%	80.5%	77.1%
Has a 4-year college degree	13.9%	12.1%	17.9%	15.1%
All Non-Latinos				
Years of schooling	13.6 years	13.7 years	13.6 years	13.7 years
Has high school diploma	90.0%	91.3%	90.6%	91.8%
Has a four-year college degree	31.6%	34.1%	30.2%	32.3%
Non-Latino Blacks				
Years of schooling	12.8 years	13.0 years	12.7 years	12.9 years
Has high school diploma	83.5%	87.4%	83.4%	87.0%
Has a four-year college degree	18.8%	20.9%	17.6%	19.1%
Non-Latino Whites				
Years of schooling	13.7 years	13.9 years	13.7 years	13.9 years
Has high school diploma	91.5%	92.7%	91.7%	92.8%
Has a four-year college degree	32.6%	35.6%	32.1%	35.1%

Source: Estimates using the 2012 American Community Survey, made available by Ruggles, et al. (2014) in the Integrated Public Use Microdata Series (IPUMS)

Certainly the large immigrant population contributes to the relatively low education level of Latinos. Over half (56 percent) of Latinos age 25 and older were immigrants in 2012. Still, when focusing exclusively on U.S.-born Latinos, significant education gaps remain vis-à-vis non-Latinos, particularly in Texas. Just over three-quarters of U.S.-born Latinos in Texas had a high-school diploma (compared to over nine out of 10 non-Latino whites and almost nine out of 10 non-Latino blacks). Fewer than one out of six U.S.-born Latinos in Texas had a four-year college degree compared to approximately one-third of native-born non-Latino whites and one-fifth of non-Latino blacks in the state.

It is imperative that these trends be reversed as Latino, economically disadvantaged and English language learners will increasingly be driving Texas' demography and economy.

Demographic and Economic Implications – The Economics of Educational Attainment

Economists have long observed that the educational attainment level of workers is directly associated with their earnings. The table below shows the 2011 median earnings of workers 25 to 44 years of age broken down by race/ethnic group, sex, and educational attainment. As an example, in 2011, Latino men 25 to 44 years of age with a bachelor’s degree had median earnings of \$48,000, a level that is more than twice that of Latino men who are not high school graduates, 85 percent higher than that of those who are high school graduates, and 45 percent higher than that of those who have some college or an associate’s degree. Furthermore, Latino men with a graduate or professional degree have a median earnings level that is 25 percent higher than that of Latino men with a bachelor’s degree. Note also that the annual earnings of Latinos and blacks are fairly similar across educational levels with their incomes being significantly lower than those of whites. The earnings gaps between white and minority workers are especially wide among men.

At these earning levels, a Latino man 25 years of age with a bachelor’s degree over the next 40 years (by the time he reaches age 65) would have earned \$1,080,000 more than a comparable Latino man without a high school diploma, \$880,000 more than one who is a high school graduate, and \$600,000 more than one who has some college or an associate’s degree (without adjusting for inflation).

**Median Earnings of Workers 25 to 44 Years of Age
by Race/Ethnic Group, Sex, and Educational Attainment, 2011**

Educational Attainment	Male			Female		
	Latino	White	Black	Latina	White	Black
Less than a high school graduate	\$21,000	\$25,000	\$14,000	\$13,000	\$14,000	\$13,000
High school graduate (includes equivalency)	\$26,000	\$34,000	\$25,000	\$18,000	\$22,500	\$20,000
Some college or associate degree	\$33,000	\$42,000	\$30,000	\$23,400	\$27,600	\$25,000
Bachelor’s degree	\$48,000	\$60,000	\$47,000	\$38,000	\$42,000	\$40,000
Graduate or professional degree	\$60,000	\$76,000	\$61,000	\$48,000	\$50,000	\$50,000

Source: 2012 American Community Survey Public-Use Microdata Sample

The relatively low educational levels of Latinos in the United States, and particularly in Texas, should be of concern to business leaders and policymakers. As a population, their earnings *potential* is considerably higher than their current earnings. These foregone higher earnings represent a huge loss in terms of foregone purchasing power and, thus, a loss in potential corporate sales and profits, and sales-tax revenue the state could collect.

To put this into context, nationwide, the purchasing power of Latinos is expected to reach \$1.5 trillion by 2015;⁴⁸ this sum is generated by Latinos who represent 17 percent of the U.S. population. Latinos account for nearly 40 percent of the population in Texas; their purchasing power is significantly more important to the state's economy than for the nation and will become increasingly important due to the state's changing demographics. As such, the longer the educational gaps with non-Latinos persist, the greater the economic losses will be.

As an example, in 2012, there were 26,549 Latino men in Texas who were 25 years of age and did not have a high school diploma. Based on the numbers above, if these men had a four-year college degree, the \$1,080,000 per person in additional earnings over the next 40 years would translate into an aggregate of nearly \$28.7 billion (the corresponding estimates for other groups are the following: Latina females, \$17.8 billion; white males, \$5.4 billion; black males, \$5.9 billion; white females, \$6.5 billion; and black females, \$1.9 billion). Assuming Latino men would have spent 67 percent of their earnings on goods and services other than housing and utilities,⁴⁹ this represents a total of \$19.2 billion in additional sales (and an extra \$1.2 billion in state sales taxes) if they possessed a bachelor's degree instead of not having a high school diploma. These numbers do not account for interest or other returns on investment that could be generated by these additional sales.

In addition to the lost purchasing power associated with the under-education of the Latino population, Texas and the nation should be concerned that the under-education directly affects the future workforce, business leaders, and other economic indicators. A growing workforce with low education levels implies that employers may face skill shortages among potential employees, which represents an additional loss to businesses. Recent studies highlight that having an under-educated workforce increases the wage premium paid to college graduates, a trend which is expected to continue.⁵⁰ This is because the demand for college

graduates has been exceeding the supply, thus resulting in a shortage of skilled workers, pushing up their wages. Moreover, a recent study by Accenture and the Manufacturing Institute reflects that 39 percent of over 300 manufacturing executives surveyed nationwide said they faced a severe shortage of qualified applicants, and 60 percent said it was difficult to hire the skilled workers they needed.⁵¹ The study further reported that a hypothetical 2,000-employee manufacturer with \$500 million in annual revenue was losing around 11 percent of operating earnings, which is \$4.6 million per year, due to factors such as higher overtime costs, downtime, and longer cycle times. Additional skills shortage will likely exacerbate these types of losses.

Texas and the nation stand to fall behind in terms of reaching their potential for establishing new enterprises given that education is a key determinant of business ownership and self-employment.⁵² Education plays a major role in financial literacy, credit access, and technology utilization – all critical factors in determining the success and longevity of a business. Growing numbers of less educated entrepreneurs will also likely reduce the potential for economic growth and efficiency.

The longer the under-education of the Latino population is ignored, the longer it will take for Texas and the nation to reach their true potential for growth and the poorer the state and country become. Bringing the representation of college graduates (bachelor's degree or higher) among Latinos in the state to the same representation as non-Latinos means doubling the percentage of Latinos who complete a post-secondary education. But going to college means they have to first complete high school (or obtain a GED). It is, thus, essential that investments be made in the education of Latino youth today, starting as early as possible, to ensure they are prepared to meet the many challenges and opportunities that await them in the coming decades and ultimately to fuel the state's (and nation's) economy. Without a doubt, the economy of the state of Texas and the nation will increasingly be tied to the economic success of Latinos.

Recommendations

Based on the data and literature presented above, the following recommendations offer potential areas of focus to improve the academic preparation of Latino students, promote workforce readiness, and further the growth of the Texas economy.

FOCUS AREA # 1:

Hold High Expectations for Every Student from Day One – and Rigorously Back Them Up at Every Opportunity

The most effective public schools hold high expectations for every student and have the resources to provide high quality teaching and learning opportunities for all children. They are pro-active in creating a school culture of excellence and backing up expectations with concrete actions that demonstrate that students of all backgrounds are valued, expected to achieve at high levels, and will receive the preparation and support to do so (see: Appendix).

From early education to college preparation, great schools and school systems recognize that their role is not to narrowly teach to a test or to train, but to engage their students in lifelong learning and help them develop the capacities and skills for 21st century problem-solving, critical thinking, and to face unexpected challenges.

Specific Goals:

- Create a culture of excellence, establishing an expectation that Texas provide for an educational system that prepares all children, including Latino children, for a bright future.
- Address inequity. Assure that schools, regardless of geographic location, have the equitable and appropriate resources to serve a rapidly growing, and increasingly diverse, student population.
- Hold every stakeholder accountable for delivering on the promise of excellence by assuring that students of all backgrounds have access to well-prepared teachers who are certified in their field of practice; access to a comprehensive, engaging, and challenging curriculum; and that at

“A ‘smart education system’ connects a district, its partners, and an organized community to provide all its students with a comprehensive web of supports and opportunities, in and out of school, that will ensure college success.”

– Jacob Mishook, Annenberg Institute, Voices in Urban Education, 2012

“Achieving a world-class education system and creating a highly-skilled workforce begins with high-quality early learning opportunities.”

– Karen Elzey, Vice President, Institute for a Competitive Workforce (ICW), 2010

least one adult on campus is dedicated to working with each student on an individual plan for college and career readiness.

FOCUS AREA # 2:

Assure that All Children are Proficient in Reading by the End of Grade 3

Being on target academically by third grade is crucial to children's early learning and later success. Until third grade most students are *learning to read*; by end of third grade, they need to be *reading to learn*. Children who are not reading proficiently by third grade are four times more likely than proficient readers to drop out of school,⁵³ impacting individual and family earnings, workforce readiness, and the economy as a whole. Federal and state achievement data show that Latino children in Texas are significantly underprepared for fourth grade.⁵⁴

High quality culturally- and linguistically-appropriate early education programs significantly boost academic outcomes for all students of diverse backgrounds. As the U.S. Chamber of Commerce Foundation reports: "At-risk children who receive first-rate preschool experiences are far more likely to have greater educational achievements, higher vocational aspirations, and greater societal contributions later in life than their peers not afforded the same quality programs."⁵⁵ In Texas, our investment in early childhood education is achieving results—but not at scale. Too few 3- and 4-year-olds are currently enrolled. Further, Texas meets only two of ten research-based benchmarks for early education quality and ranks 30th in state spending on early education.

"In business, we rarely have the luxury of making an investment decision with as much evidence as we have to support the economic value of investing in early childhood development and education...put bluntly, in my terms, they are a financial no-brainer. The only question is 'How strong is the ROI?' The answer: two or three or more to one."

– John Pepper, former CEO, Procter and Gamble, in ReadyNation, Strengthening business through effective investments in children and youth

Specific Goals:

- Ensure that all children in Texas have access to high quality early childhood education and establish quality school-family partnerships.
- Provide for quality dual language learning programs for English language learners in keeping with best practices.
- Align early learning (birth to Grade 3) programs and services, so that children are not falling through the cracks with a patchwork of programs and systems.

- Hold school systems accountable to close achievement gaps in early learning. Set standards and expectations to ensure that all students are proficient readers by the end of Grade 3.

FOCUS AREA # 3:

Assure that All High School Graduates Are College-Ready

By 2020, 60 percent of jobs in Texas will require postsecondary education. Far too many Texas students, however, graduate high school without the preparation to enroll and succeed in college. Nationally, about one in five of all first-year college students will require remedial education before they can begin to enroll in credit-earning courses.⁵⁶

In 2012, only 22 percent of graduating Latino high school students (compared to 57 percent of white students) in Texas was prepared to meet three or more college-readiness benchmarks.⁵⁷ Remediation is costly and time-consuming for individuals, families, and Texas businesses—and results in far lower college completion rates. Fewer than one in 10 students who start in remediation when they enter community college graduate within three years.⁵⁸ When education falls short, Texas businesses must often pick up the tab for additional training or the costs to recruit better prepared and more well-educated candidates from out-of-state.

“The projected population growth of Texas over the coming two decades will be driven by growth of the Hispanic population. If we fail to facilitate higher rates of educational completion among Hispanics in Texas, toward equivalence with non-Hispanic whites, we will potentially fail our commitment to support a strong, healthy, prosperous, and proud Texas.”

– *Educational Attainment Projections of the Texas Civilian Workforce, 2011-2030*, Office of

Specific Goals:

- Close college-readiness gaps between Latino and non-Latino students.
- Hold Texas school districts accountable for producing college-ready graduates; prepared to enroll and succeed in post-secondary education, without remediation.
- Hold the state of Texas accountable to assuring that economically disadvantaged, minority students, and English language learners in Texas have equitable access to skilled and highly qualified teachers, certified in their field, including teachers prepared to offer dual credit courses.
- Hold the state of Texas accountable for assuring that advanced placement, dual-credit courses are available for students of all

backgrounds; and that students have the preparation to enroll and succeed in them.

FOCUS AREA # 4:

Increase College Affordability and Access

As noted earlier in this paper, today in Texas, just 34.5 percent of working-age adults hold an associate's degree or higher. **Cost is a significant factor.**⁵⁹ From fall 2003 to fall 2009, statewide average academic charges for a student taking 15 semester credit hours at a public university in Texas “increased by 72 percent.”⁶⁰

Neither individual family income nor state financial aid has kept pace. In effect, these factors have increasingly priced out middle- and low-income students from college opportunities just as the demand for a post-secondary education has risen for working-age adults.^{61,62} All working students and families—and particularly Latino families and young adults in Texas—have been impacted by policies that allow for the increase in college cost and the disinvestment in means-based aid.^{63,64,65}

Texas receives an “F” on college affordability, as poor and working-class families in the state must devote 30 percent of their income to pay for costs two-year colleges and financial aid in the state is low. “For every dollar in Pell Grant aid to students, the state spends only 32¢.”

– The National Report Card on Higher Education, Measuring Up 2008

Texas economic prosperity and workforce readiness depends on expanding—not limiting—college opportunity.

Specific Goals:

- Invest in Texas-based student financial aid systems that reduce financial barriers to college participation for students of all backgrounds to prepare them for jobs of the future.
- Increase resources for Texas Work Study Programs.
- Address critical shortage areas through public-private partnerships and designated funds, creating incentives for Texas colleges to prepare and graduate under-represented students in growing high-demand fields.
- Improve college-retention and graduation rates in Texas—assuring that students have the necessary supports and resources to complete their studies through to graduation.

Conclusion

San Antonio and Texas are enviable places to live, work, and do business. Although the future looks promising, in reality, the economic future of our state will depend on what happens in the classroom over the next couple of decades. By the time the next generation leaves the classroom and enters the workforce, it will be clear which path Texas has chosen. We will either have a young, well-educated workforce ready to contribute to the overall economic prosperity of the state or one unable to compete, which will have a detrimental impact on all aspects of economic development, to include wages, disposable income, taxes, corporate profits, and the overall quality of life.

The education of our future workforce is of paramount importance; our community, in collaboration with our schools and government must be collectively engaged in demanding greater accountability and preparation for the future. Business leaders must also remain cognizant of the bleak economic consequences of maintaining the status quo. Making the necessary changes to properly educate and prepare our children, and the future workforce, is neither easy nor inexpensive, but given what the future holds if we fail to act, it is imperative that we act now and take the first step towards sustainable economic prosperity for the State of Texas.

Appendix:

Getting It Right – A School District Responding Well to the Challenge

A long history of experience in transforming public education provides a rich base of experience and expertise about what works across the preK-20 spectrum to prepare children of diverse backgrounds for academic success. It is clear, for example, that high quality teaching and learning experiences are founded on certain fundamentals: a shared, core commitment and a vision for all students' success that manifests in sound policies and practices; an investment in quality school leadership and access to well-prepared teachers for all students; meaningful partnerships with families, community members and businesses; and a rigorous, high quality curriculum that builds on students' language and cultural backgrounds as strengths.⁶⁶

The experience of the Pharr-San Juan-Alamo ISD, in South Texas, provides an important example. The Pharr-San Juan-Alamo ISD serves a student population that is 99 percent Hispanic, 85.4 percent economically disadvantaged, and 41.4 percent English language learners. In 2007, PSJA was losing about 500 students each year to attrition. Only 60 percent of PSJA seniors graduated in the 2006-07 school year. For those who did graduate, far too few had adequate preparation to enroll in and succeed in college. Many observers would suggest that for a school district serving a predominantly low-income and Latino student population, this is “as good as it gets.” But PSJA and the South Texas community disagreed.

“Rather than using the fact that most of PSJA’s students enter pre-kindergarten as English language learners as an excuse, PSJA ISD has designated this as a strength. [The] district has become a leader in the implementation of dual language education and has set out to become a national leader in the production of bi-literate, college ready graduates.”

– PSJA ISD, 2014

The school district began by looking closely at both dropout and college readiness rates. Under the leadership of superintendent Dr. Daniel King, district and campus leaders committed to being transparent about the challenges they faced and to invite community, family, business, children’s advocates, higher education partners—and students themselves—to be part of the solution. PSJA ISD established the motto College³ (college cubed), with the goal that all students, from their first days of school to graduation would become “college ready, college

connected and college complete.” The school district assured that every high school student would receive at minimum a “distinguished” level curriculum, with courses that prepared and qualified them for college enrollment. District leaders did not consider PSJA’s job complete until students who enrolled in college were well-established and on a path to success—and built the partnerships with colleges and universities and the private sector to achieve this. Most importantly, PSJA ISD dedicated itself to backing up its commitment to students with concrete actions to improve teaching, learning, and student support at every level.

As a result, PSJA transformed its dropout rate not only by recovering middle and high school students who had left, but enrolling 95 percent of students in a distinguished (honors) curriculum (equivalent to the Texas 4x4 curriculum). By 2012, the district “doubled the number of graduates, halved the dropout rate, and increased college-going rates.”⁶⁷ At PSJA, “teachers support all juniors and seniors to pass introductory English and math at the college level so they can enter postsecondary without need for remediation [and] through the district’s partner colleges, juniors and seniors will pursue six or more transferrable college credits in their career pathways.”⁶⁸ The district’s experience makes clear that with the right approaches in place, all children can receive an education that prepares them for post-secondary success.

Endnotes

¹ Disclaimer: The views expressed in this paper are those of the authors, and do not necessarily reflect the views of The University of Texas – Pan American.

² The term “English language learners” (“ELLs”) is used throughout this paper. In the field of education, a number of other terms are used including English learners (or ELs), limited English proficient (LEP) students, non-native English speakers, language-minority students, dual language learners, bilingual students, or emerging bilingual students.

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