2016-2040 RTP/SCS Growth Forecast Development: Information from Panel of Experts Meeting and Range of Regional Growth Projections

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Community, Economic and Human Development (CEHD) Committee, August 1, 2013
Process for Developing the Projection Range

- CCSCE job projections for the nation, state and region
- Survey of Other Forecasts
- Expert Panel Meeting and Survey
- Development of High and Low Forecasts
- Policy Issues and Panel Comments
- SCAG Regional Population and HH Forecasts
The Panel Will help

- Identify a reasonable range for assumptions
- Identify critical issues for developing the 2016-2040 RTP/SCS growth forecasts
- Then SCAG will
  --Develop a first set of growth forecasts
  --Identify small area implications, feedback
  --Develop final growth forecasts later as more information is available
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<th>Affiliation</th>
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Basis for Forecast Range

- **Nation**
  - CCSCE (the middle forecast alternative)
  - High based on increased immigration

- **State**
  - CCSCE nation, CA share of U.S
  - High based on increased CA share of U.S.
SCAG Region
--Low based on 2012 SCAG share of nation so region grows at same rate as nation
--CCSCE based on CCSCE nation and CA and CCSCE SCAG share of CA
--High
High U.S.
High CA share of U.S.
High SCAG share of CA
National Forecast Assumptions

- Population from new Pitkin-Myers projections and immigration assumptions
- Older workers remain in labor force longer—new Pitkin-Levy labor force participation rates
- Full employment by 2020 and beyond (supported by panel and forecast survey)
- New forecast 1-3% higher than in 2012-2035 RTP/SCS
U.S. Population in 2040 (Millions)

- REMI: 394.8
- Moody's: 402.3
- Pitkin-Myers: 391.1
- 2008 Census: 405.7
- 2012 Census: 380.0
U.S. Labor Force Participation Rates
U.S. Projections for 2035 ( Millions)

Jobs
- SCAG 2016: 181.3
- SCAG 2012 RTP: 176.2

Population
- SCAG 2016: 378.4
- SCAG 2012 RTP: 374.6
Range of U.S. Forecasts

- No panel members suggested a lower U.S. population or job forecast
- Panel members were asked if immigration reform would increase U.S. population growth
  - 11 members voted yes, 5 did not answer
- A high U.S. forecast was developed by adding 350,000 people a year (the median panel estimate) to the U.S. population after 2015
The California Job Forecast Process

- Reviewing recent trends
- Reviewing other forecasts
- Developing a CCSCE job projection based on industry share analysis compared to the U.S.
- Incorporating panel feedback
Job Growth Over Past 24 Months

California

U.S.
Recent Unemployment Rate Trends

- California
- U.S.
CA Share of U.S. Economic Base Major Sectors

Manufacturing
Wholesale Trade
Information
PSTS
CA Share of U.S. Jobs

- Internet: 12.9% (2007), 16.4% (April 13)
- Scientific & R&D Services: 17.9% (2007), 19.4% (April 13)
- Software: 16.8% (2007), 18.4% (April 13)
- Computer Services: 14.5% (2007), 13.9% (April 13)
- Management & Consulting Services: 16.7% (2007), 17.6% (April 13)
CA Share of U.S. in Major Population Serving Sectors

Construction
Retail Trade
Finance
Government

2007 2008 2009 2010 2011 2012 Apr 13

9.5% 10.0% 10.5% 11.0% 11.5% 12.0%
California Share of U.S. Jobs

![Chart showing the share of U.S. jobs held by California from 1990 to 2020]

- The chart displays the percentage of U.S. jobs held by California from 1990 to 2020.
- The percentage starts at 10.4% in 1990 and decreases to a low in the early 2000s before increasing to a peak in the late 2000s and declining again in recent years.

The chart illustrates the dynamic nature of California's job share within the U.S. labor market.
California Job Forecast to 2040

- CCSCE share of U.S. 11.6% (2035), 11.7% (2040)
- Panel 11-11.5% 7 votes, 11.5-12% 6 votes including all panel members who do long-term forecast, 10.5-11% 1 vote
- The CCSCE forecast had CA gaining share of U.S. at half the 2012-2020 rate
- For high alternative CA/US shares were increased to 11.7% in 2035 and 11.8% in 2040
The SCAG Job Forecast Process

- Reviewing recent trends
- Reviewing other forecasts
- Developing a CCSCE job projection based on industry share analysis compared to California
- Incorporating panel feedback
SCAG Region Share of CA Jobs

- 43.0%
- 44.0%
- 45.0%
- 46.0%
- 47.0%
- 48.0%
- 49.0%
- 50.0%

Years:
- 1990
- 1992
- 1994
- 1996
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
- 2010
- 2012
Job Growth Over Past 24 Months

[Graph showing job growth from April 2011 to April 2013 for California, U.S., and SCAG Region, with a steady increase in job growth for all regions.]
SCAG Share of CA Basic Jobs

- Divs. Manufacturing
- Whls Tr & Transp.
- Prof, Bus & Info Serv.
- Tourism & Entertainment
- Total Basic Jobs
SCAG Region Share of CA Basic Jobs to 2020
Job Growth to 2020

- For 2012-2020:
  - U.S.: 12.6%
  - CA: 14.9%
  - SCAG: 14.0%

- For 2007-2020:
  - U.S.: 9.0%
  - CA: 8.8%
  - SCAG: 6.0%
SCAG Job Forecast to 2040

- CCSCE SCAG share of CA—45.9% (2012), 45.6% (2020), 45.2% (2035), 45.0% (2040)
- Panel
  - 43-44% 2 votes
  - 44-45% 6 votes
  - 45-46% 6 votes
- For high alternative 45.5% (2035), 45.35% (2040)
SCAG Region Range of Preliminary Employment Projections

Employment (in Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Low</th>
<th>Mid</th>
<th>High</th>
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<tbody>
<tr>
<td>1990</td>
<td>6.9</td>
<td>6.5</td>
<td>7.0</td>
<td>7.5</td>
</tr>
<tr>
<td>1995</td>
<td>6.5</td>
<td>6.5</td>
<td>7.0</td>
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<tr>
<td>2000</td>
<td>7.4</td>
<td>7.4</td>
<td>7.8</td>
<td>8.0</td>
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<tr>
<td>2005</td>
<td>7.8</td>
<td>7.8</td>
<td>8.2</td>
<td>8.5</td>
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<tr>
<td>2010</td>
<td>7.3</td>
<td>7.3</td>
<td>7.7</td>
<td>8.0</td>
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<tr>
<td>2015</td>
<td>8.7</td>
<td>8.7</td>
<td>9.1</td>
<td>9.5</td>
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<tr>
<td>2020</td>
<td>8.5</td>
<td>8.5</td>
<td>9.0</td>
<td>9.5</td>
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<tr>
<td>2025</td>
<td>8.6</td>
<td>8.6</td>
<td>9.1</td>
<td>9.6</td>
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<tr>
<td>2030</td>
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<td>10.0</td>
<td>10.6</td>
<td>10.8</td>
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Translating Job Projections to Population and Household Growth

• The main determinants of population given the jobs projection are fertility, foreign immigration, labor force participation rate and unemployment rate assumptions

• HH projections are determined based on projected household forming behavior (rates)

• In both cases input from the panel of experts informed staff’s choices
Major Determinants of SCAG Region Population Growth

- National population growth where immigration is the key variable
- AND
- The SCAG region share of job growth
Key Regional Demographic Assumptions

- **Demographic Assumptions**
  - Fertility: Declines
  - Mortality: Declines
  - Net Immigration: Increases over time
  - Net Domestic Migration: Fluctuates
  - Household Headship Rate: Increases with a moderate assimilation of Asian and Hispanic populations.

- **Additional Regional Assumptions**
  - Jobs Per Worker: 1.0452
  - Unemployment Rate: 5.5%-6.5%
  - Total Labor Force Participation Rate: Declines with an increase of older age cohorts.
SCAG Region Range of Preliminary Population Projections

- **1990**: 14.7
- **1995**: 15.5
- **2000**: 16.6
- **2005**: 17.6
- **2010**: 18.1
- **2015**: 19.2
- **2020**: 19.6
- **2025**: 21.4
- **2030**: 21.8
- **2035**: 22.5
- **2040**: 23.4

**Legend**:
- **Actual**
- **Low**
- **Mid**
- **High**
Factors Affecting Household Projections

- Household projections can vary for two reasons—1) changes in job growth levels and 2) changes in household formation for any given level of job growth.
- Household formation can vary for financial reasons—1) low income growth. 2) poor housing affordability, or 3) lack of new affordable units.
- HH formation varies for cultural reasons too.
Regional Headship Rate Assumptions

- Headship rates are the number of heads of households divided by the number of individuals.
- A moderate assimilation assumption was used that also considered behavior for male and female headed households.
  - Increases Asian headship rates by 50% of the difference from 2009-2011 White headship rates by 2050
  - Increases Hispanic headship rates by 25% of the difference from 2009-2011 White headship rates by 2050

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<thead>
<tr>
<th></th>
<th>2009-2011</th>
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<tr>
<td>White (NH)</td>
<td>51%</td>
<td>52%</td>
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<tr>
<td>Black (NH)</td>
<td>49%</td>
<td>51%</td>
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<tr>
<td>Asian &amp; Others (NH)</td>
<td>39%</td>
<td>44%</td>
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<tr>
<td>Hispanic</td>
<td>34%</td>
<td>37%</td>
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<tr>
<td>Total</td>
<td>41.7%</td>
<td>42.4%</td>
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Source: ACS 2009-2011 and SCAG
SCAG Region Range of Preliminary Household Projections

- Actual
- Low
- Mid
- High

Households (in Millions)
Key Policy Issues Related to the 2016 Growth Forecast

- The panel understands and supports the finding that the region’s job growth depends on success in implementing RTP and SCS policies
  - improving the mobility of people and goods
  - promoting the development of needed housing and commercial/industrial lands
  - maintaining and improving air quality
  - promoting world class infrastructure and investment in our workforce
Panel Short-Term Economic Concerns and Related Long-Term Policy Issues

- The impact of the Panama Canal on job growth. The long-term policy issue is maintaining foreign trade competitiveness.
- The impact of financing constraints on housing development. The long-term policy issue is supporting housing and commercial growth.
- Income inequality/two-tier economy—Will it continue and hurt the region? The long-term policy issue is about education and training for the future economy.
Panel Concerns About Education, Wages, Manufacturing and the Economy

- Manufacturing jobs (which pay well): number will decline, but output and value will grow.
- There are currently too many workers in the region who do not have the skills needed in the future. Can they and their children get better skills and move to higher paid jobs?
- Will we have enough skilled workers to replace retiring baby boomers?
- Do state polices impede the growth of good-paying blue collar jobs?
Demographic Questions and Comments from the Panel

- How will immigration reform affect the region’s population profile?
- Fertility: decline by how much?
- Aging’s impact on Group Quarters population
- Will there be more or fewer multi-generation households? What will be the trends for Asian and Latino household formation trends? Will younger adults continue to live with their parents?
Thank You