

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

Panel Members

Name	Affiliation
Irena Asmundson	California Department of Finance, Economic Research Unit
Michael Bracken	Development Management Group, Inc.
Deborah Diep	Cal State Fullerton, Center for Demographic Research
Viviane Doche-Boulos	DB Consulting
Bill Gayk	Riverside County
Dan Hamilton	California Lutheran University
John Husing	Economics & Politics
Robert Kleinhenz	Los Angeles Economic Development Corporation
Billy Leung	Regional Economic Models, Inc.
Steve Levy	Center for Continuing Study of the California Economy
Sue Lieu	South Coast Air Quality Management District
Wade Martin	Cal State Long Beach
Dowell Myers	University of Southern California
Jerry Nickelsburg	UCLA Anderson Forecast
Mark Schniepp	California Economic Forecast
Bill Schooling	California Department of Finance, Demographic Research Unit
Wallace Walrod	Orange County Business Council

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.

Basis for Forecast Range (cont'd)

- 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.

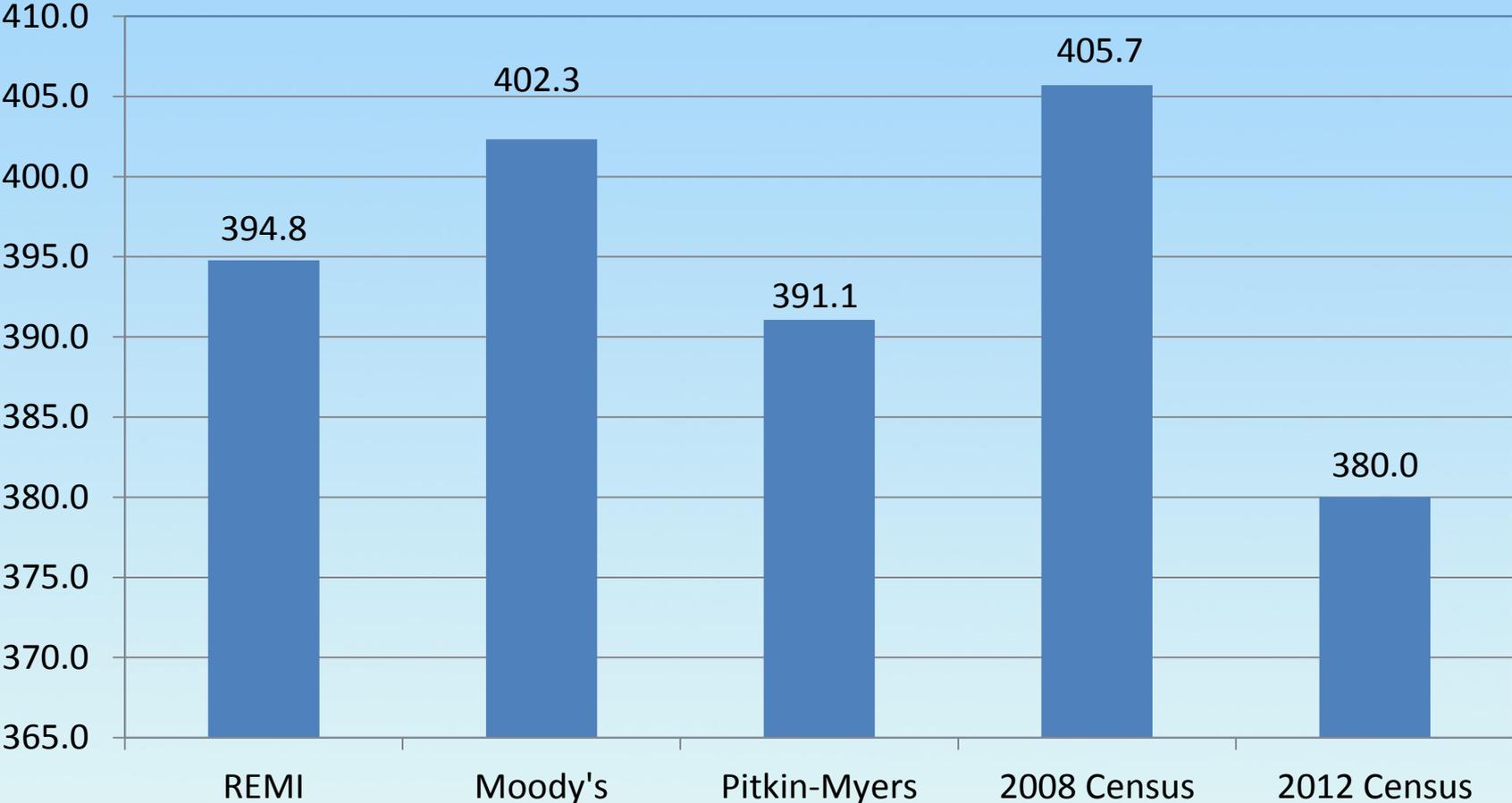
- High CA share of U.S.

- High SCAG share of CA

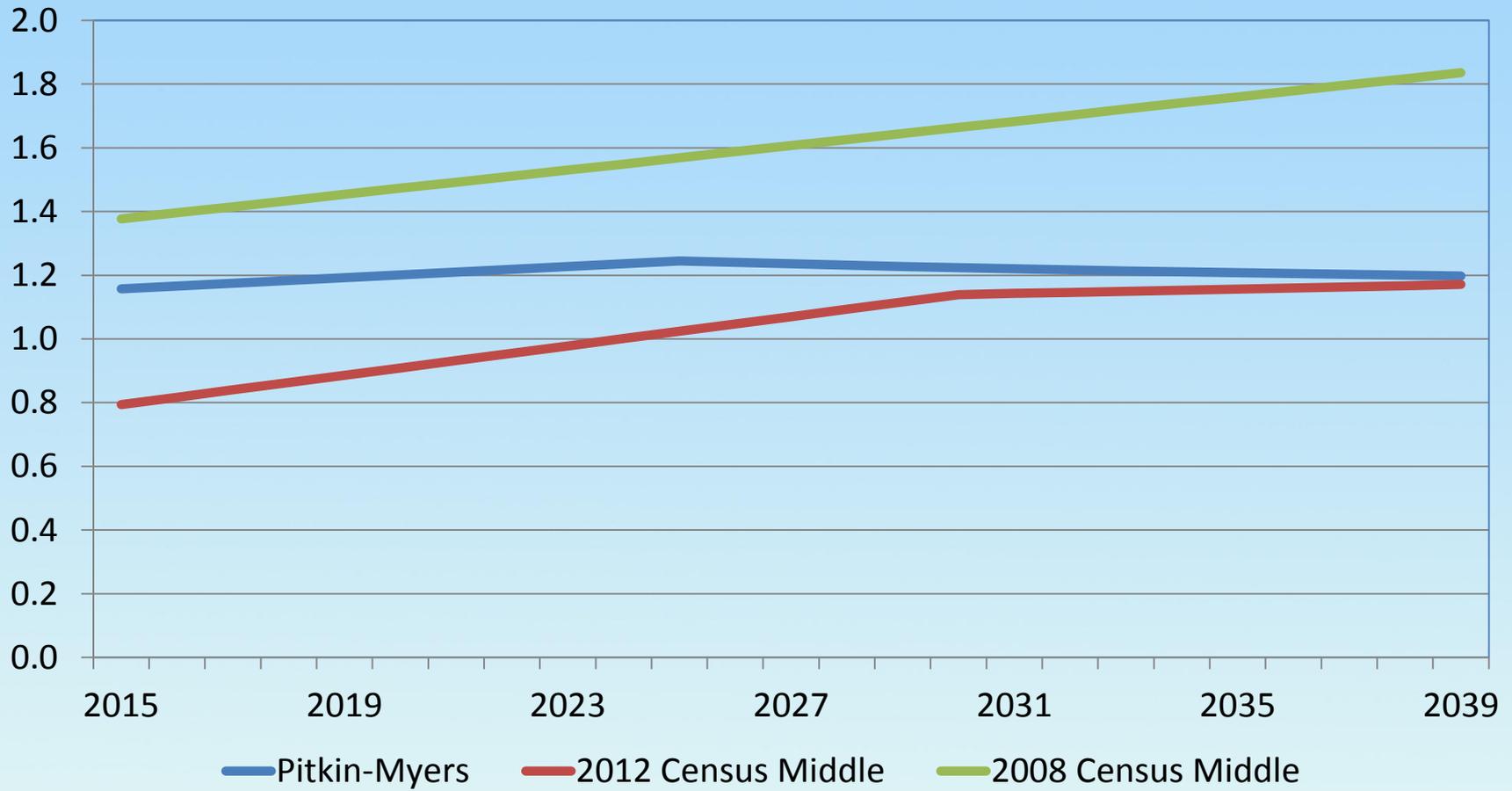
National Forecast Assumptions

- 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

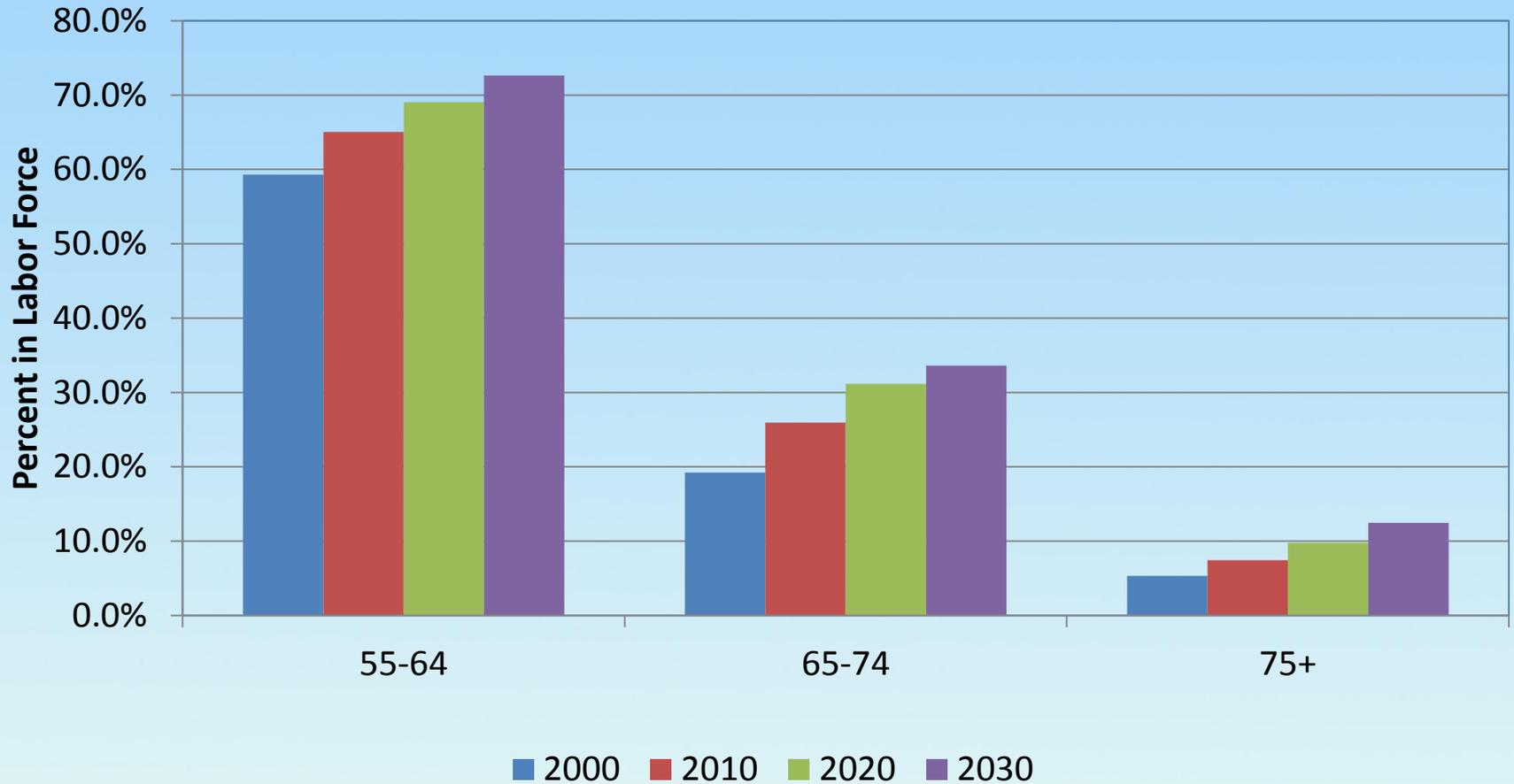
U.S. Population in 2040 (Millions)



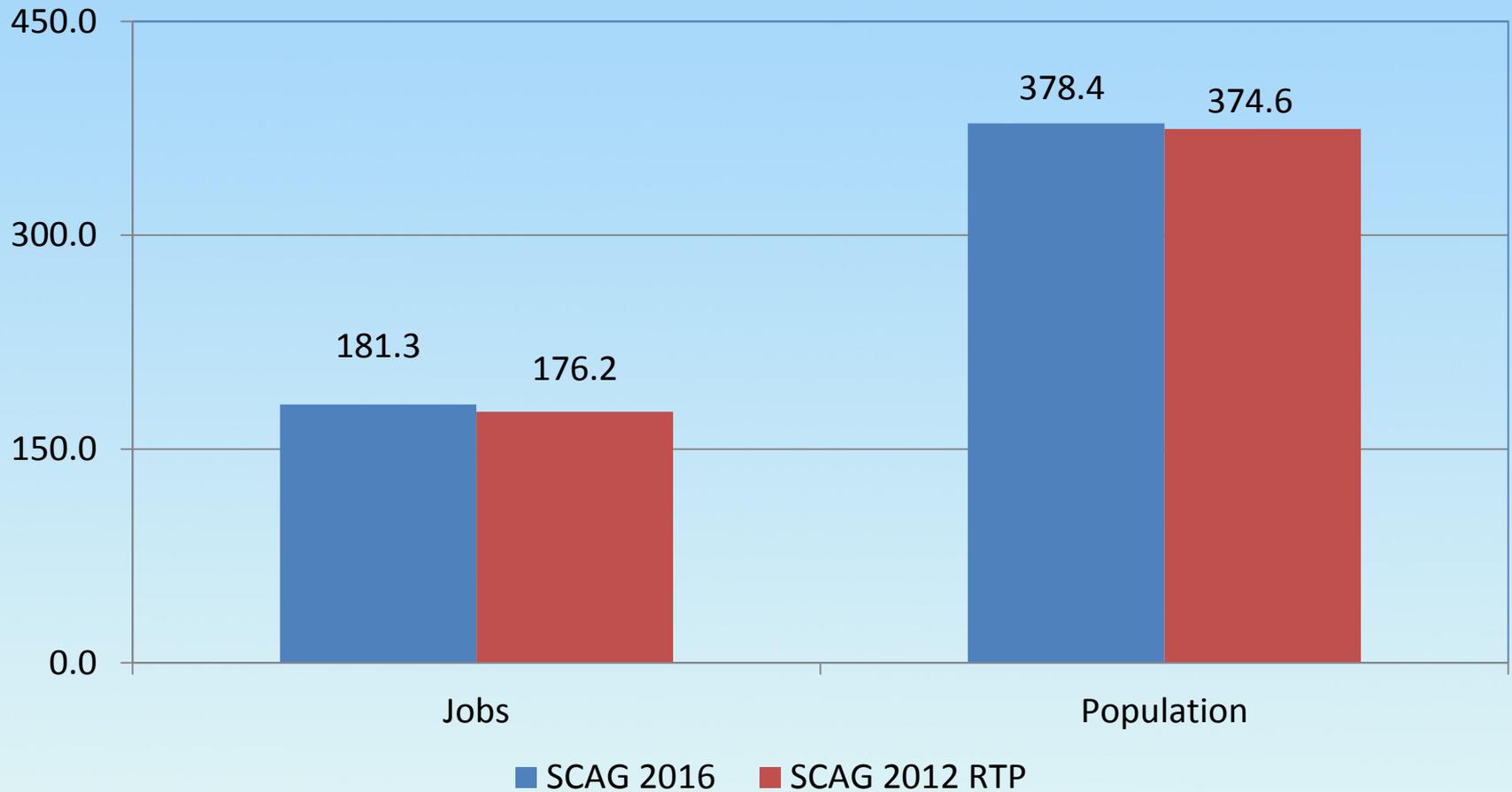
Annual Immigration (Millions)



U.S. Labor Force Participation Rates



U.S. Projections for 2035 (Millions)



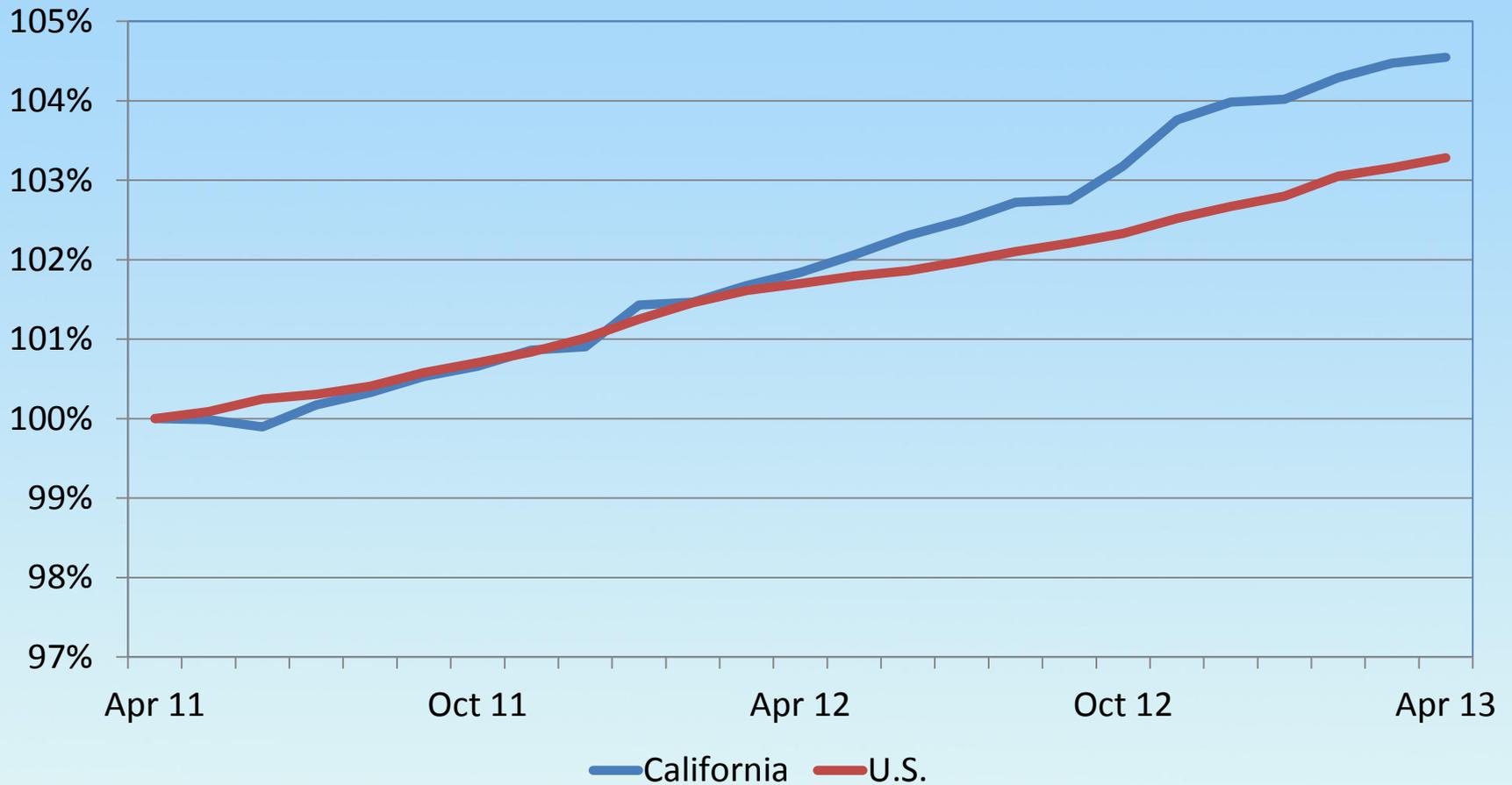
Range of U.S. Forecasts

- 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

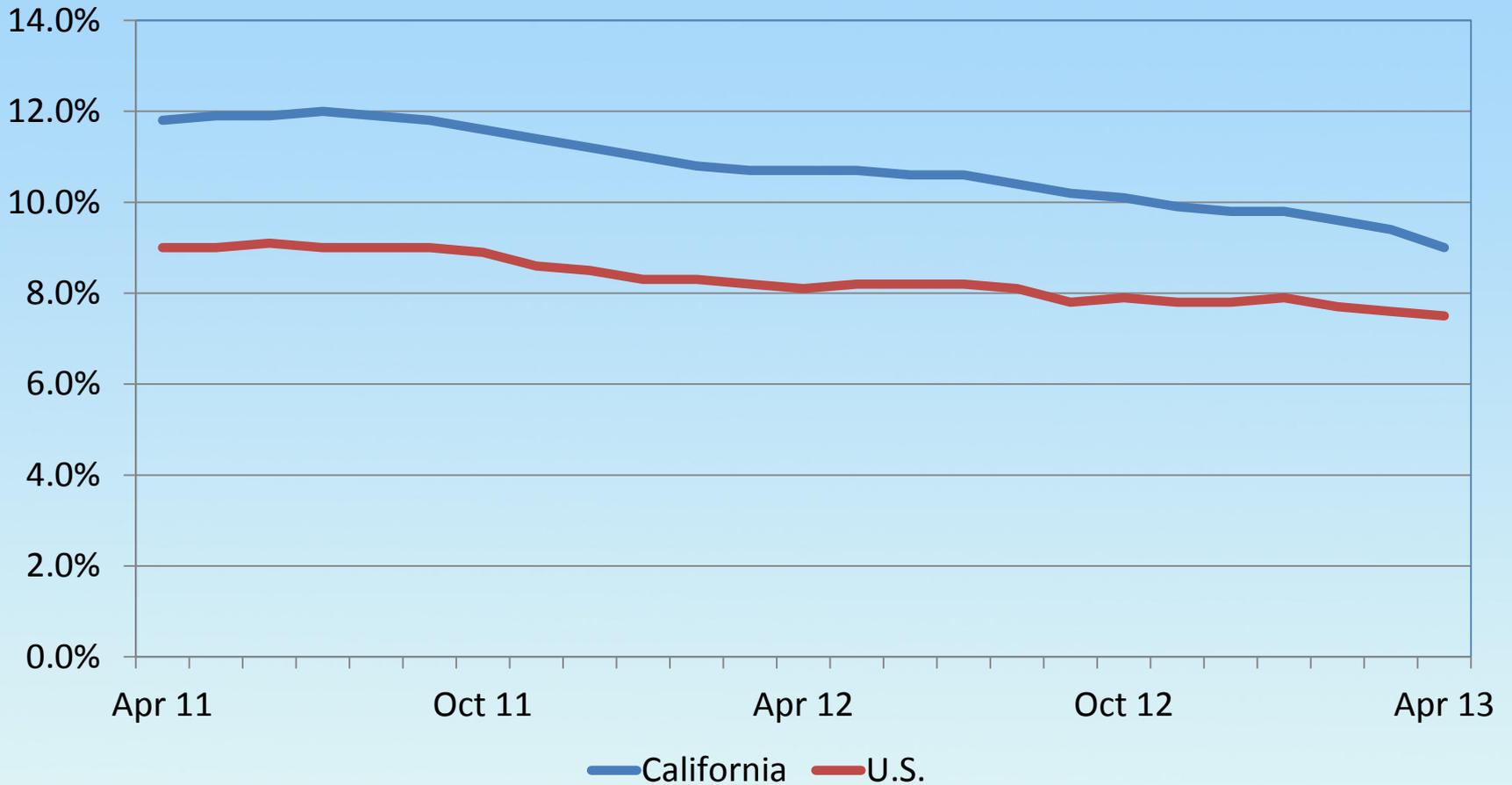
The California Job Forecast Process

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

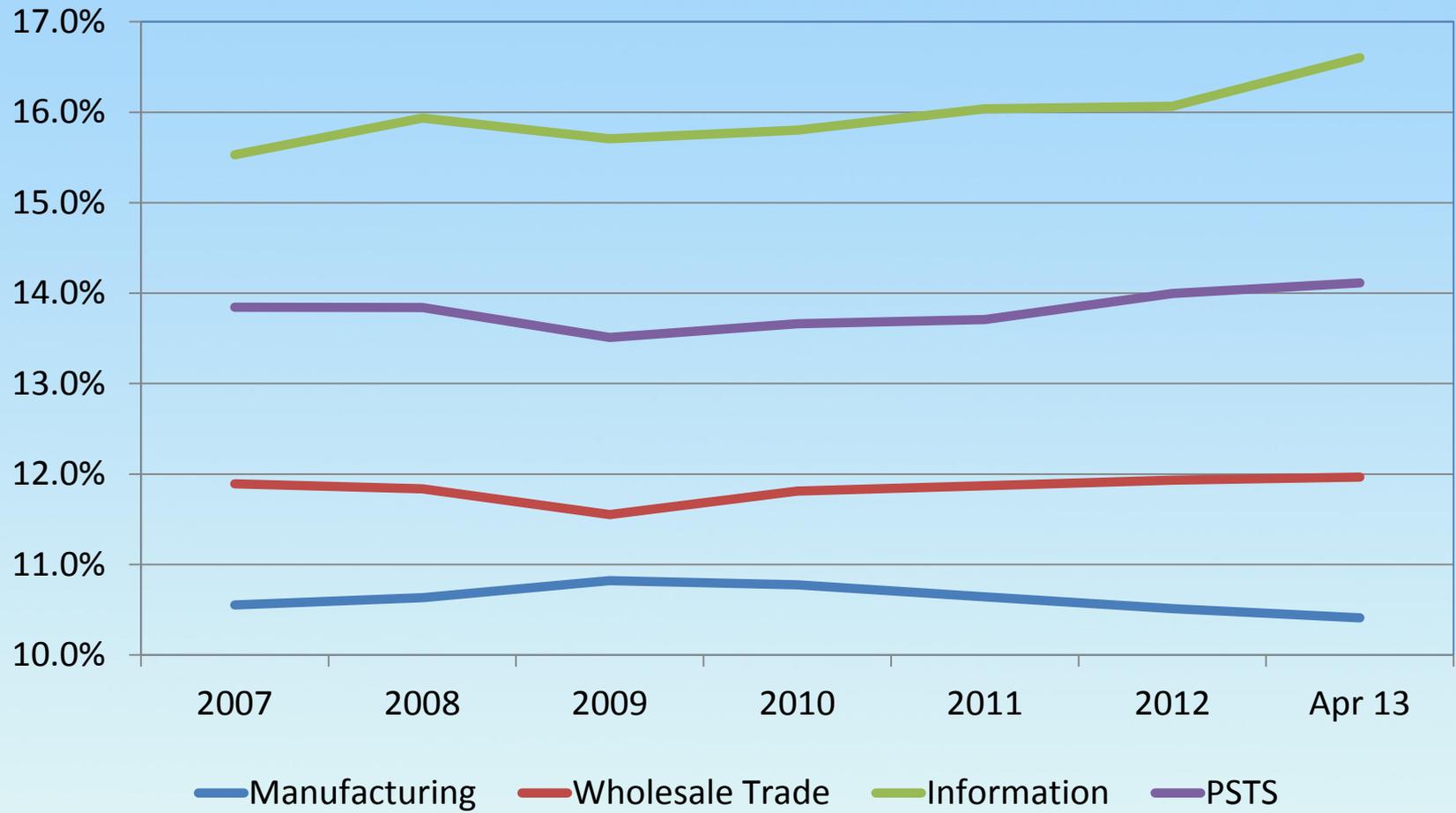
Job Growth Over Past 24 Months



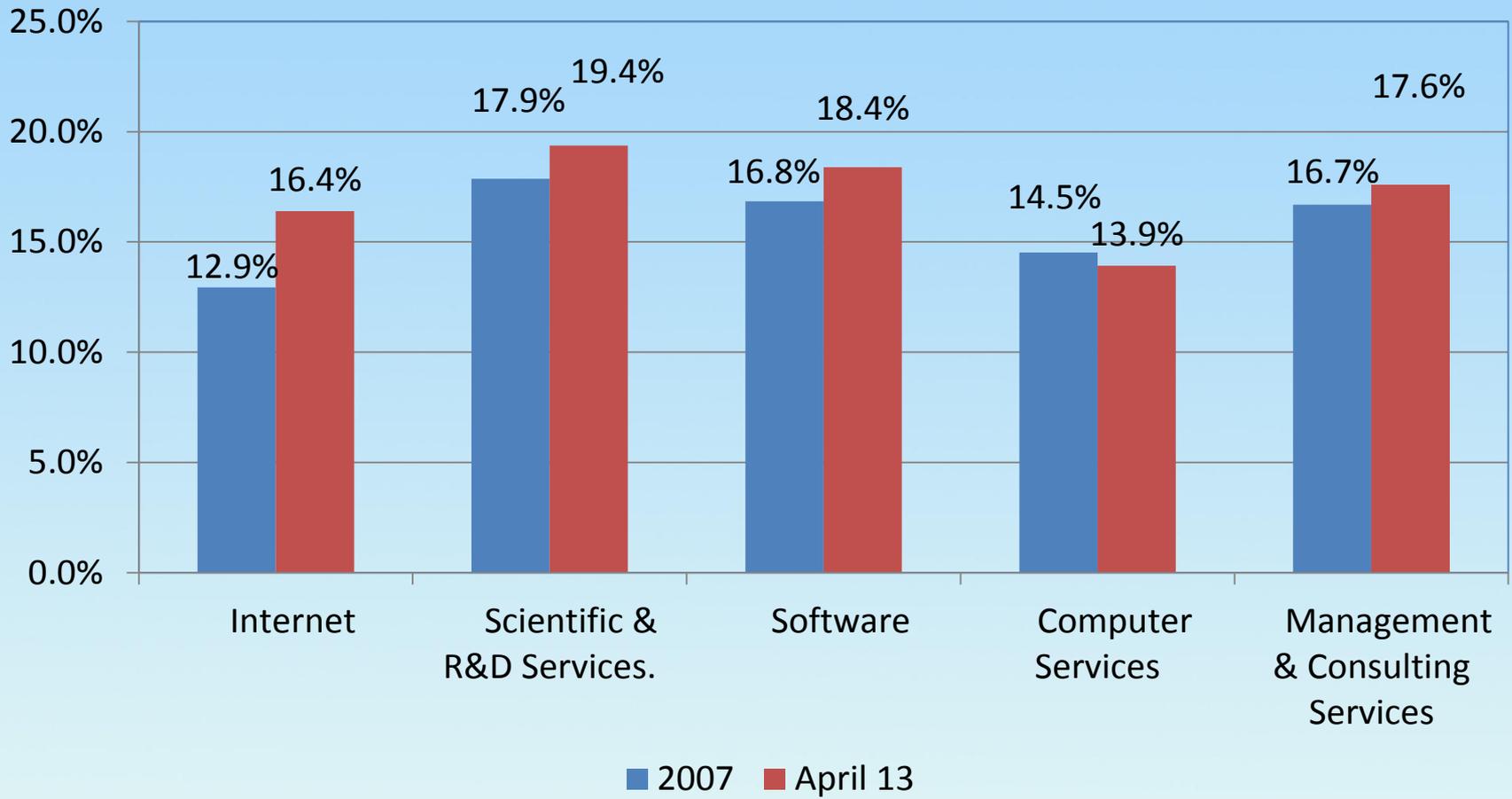
Recent Unemployment Rate Trends



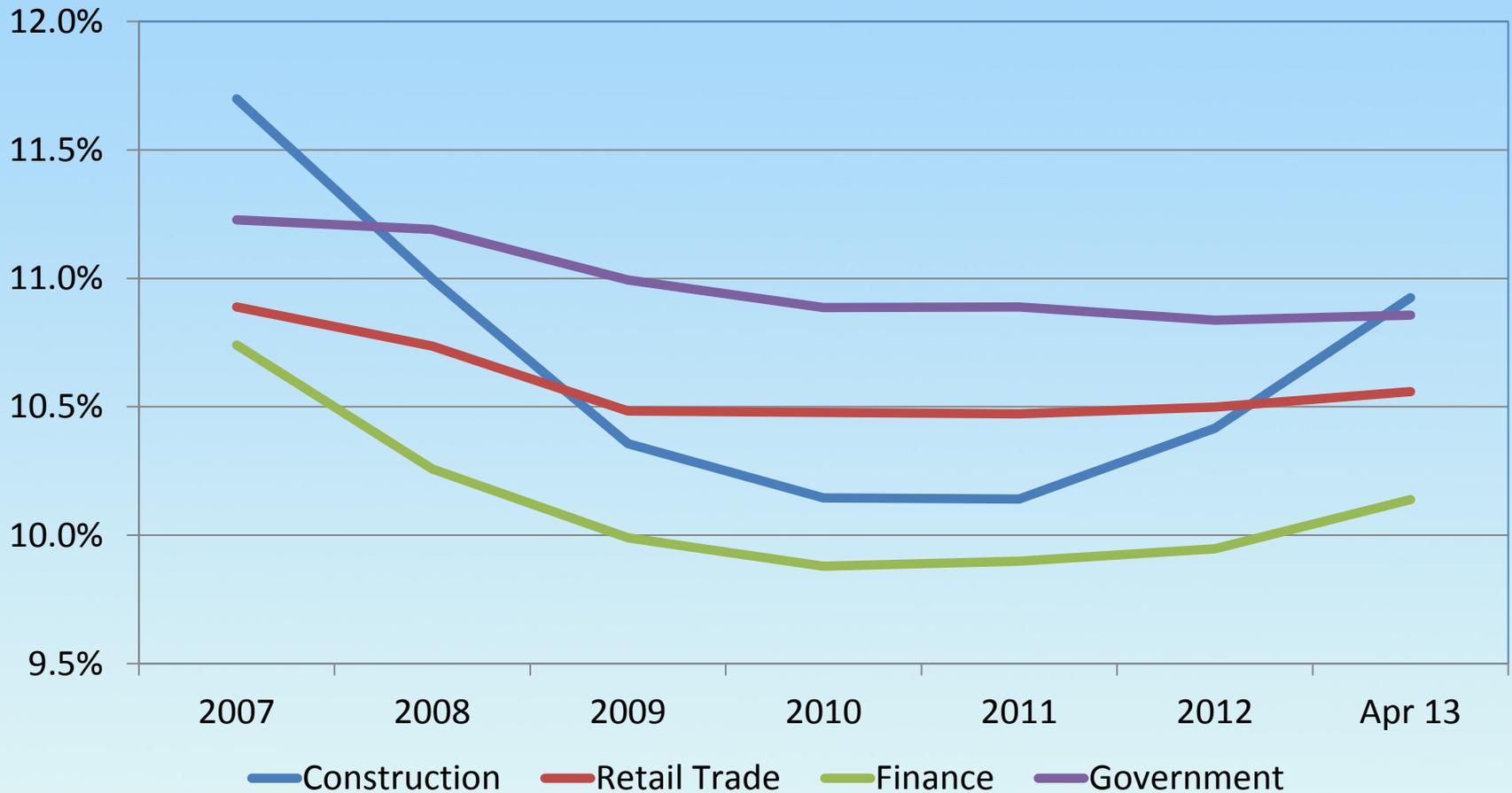
CA Share of U.S. Economic Base Major Sectors



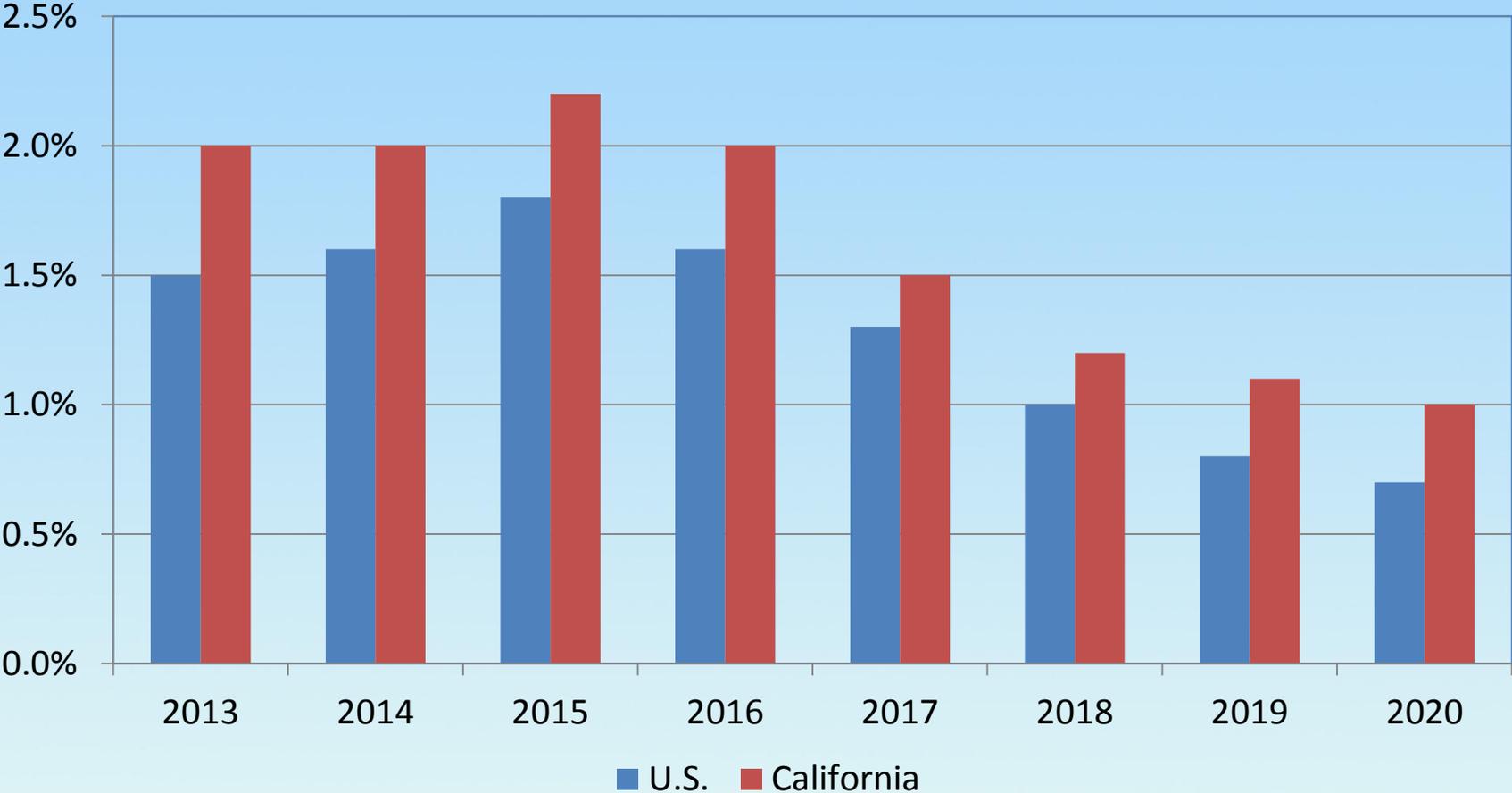
CA Share of U.S. Jobs



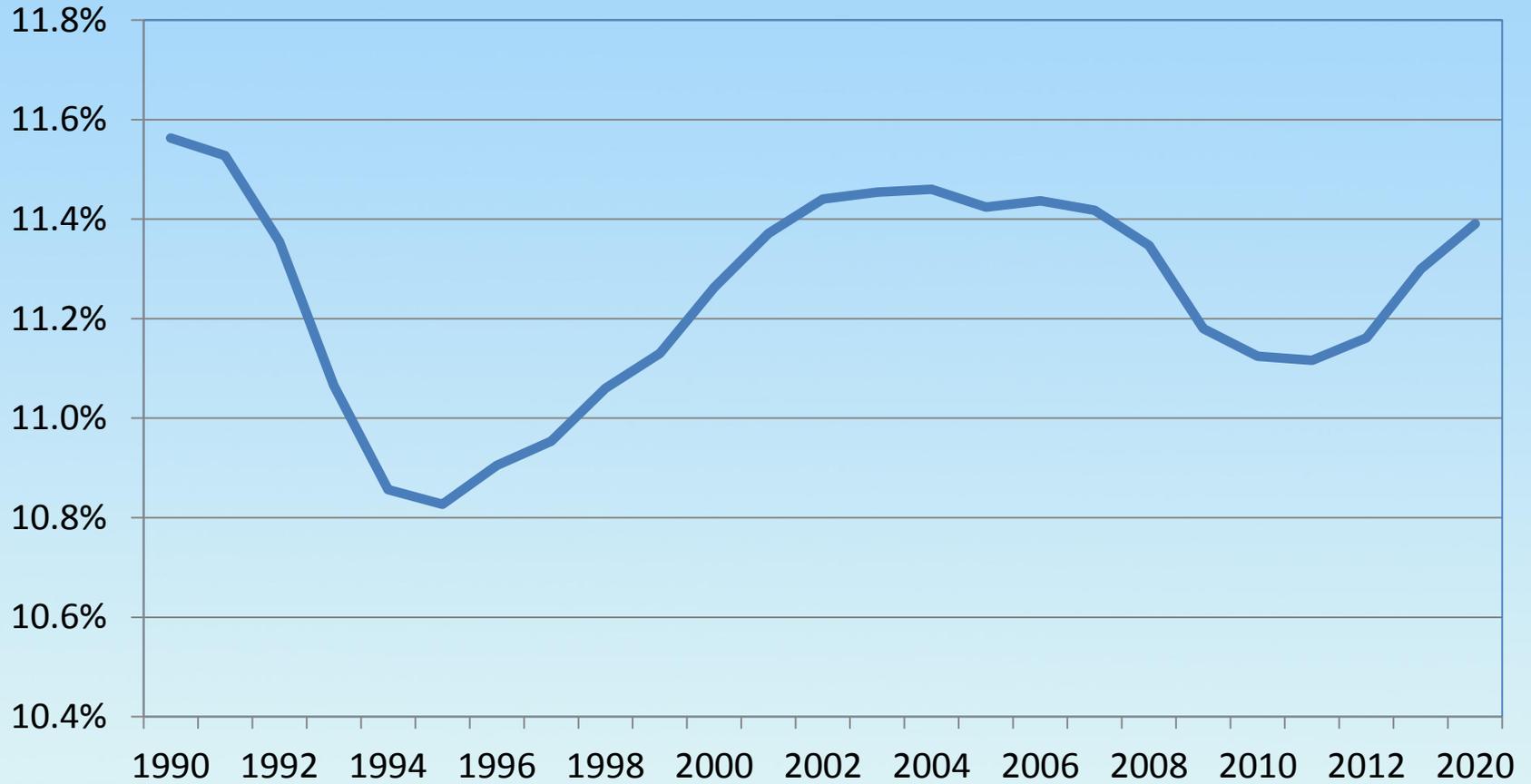
CA Share of U.S. in Major Population Serving Sectors



UCLA Job Growth Forecast (June 2013)



California Share of U.S. Jobs



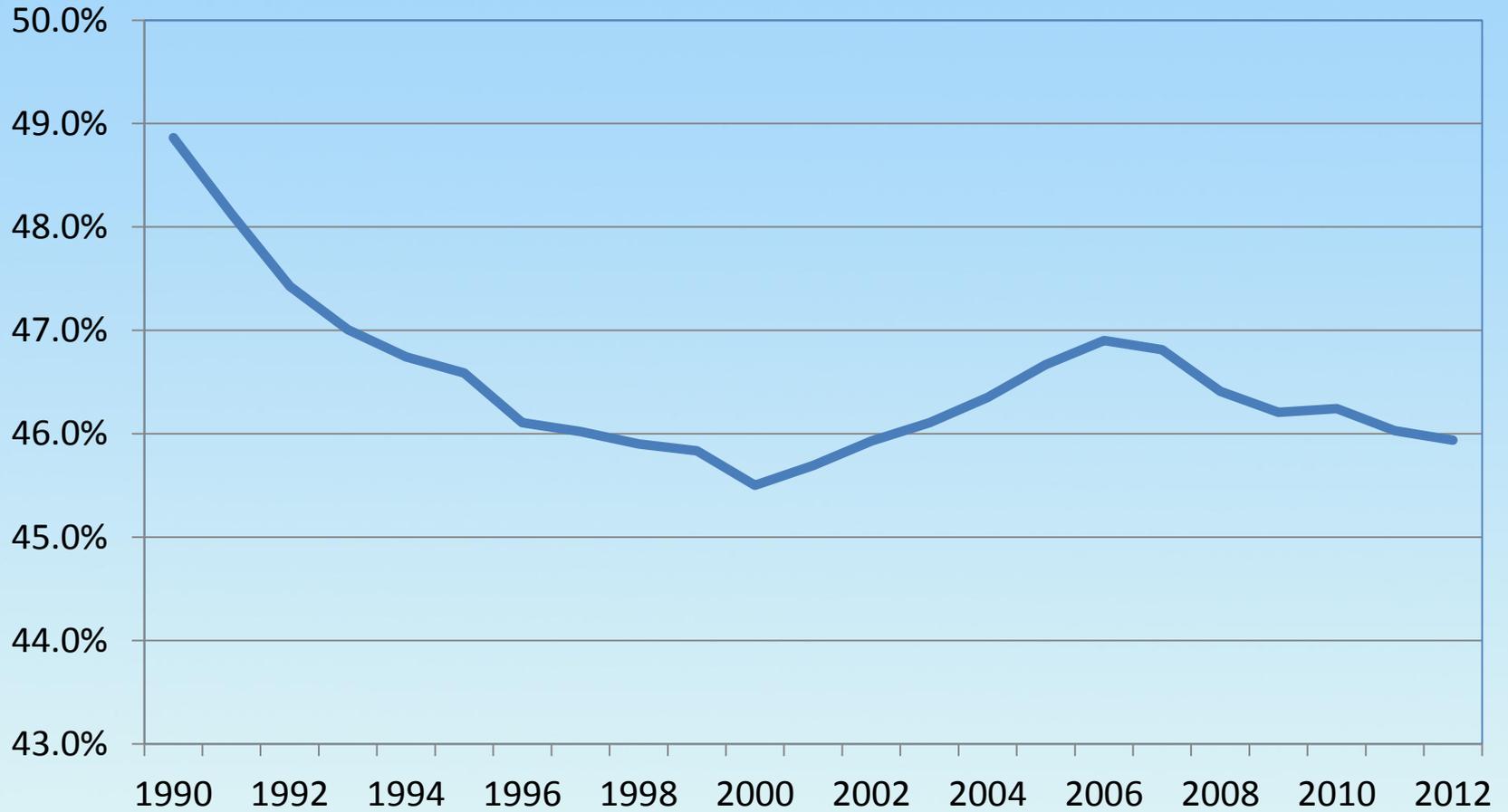
California Job Forecast to 2040

- 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

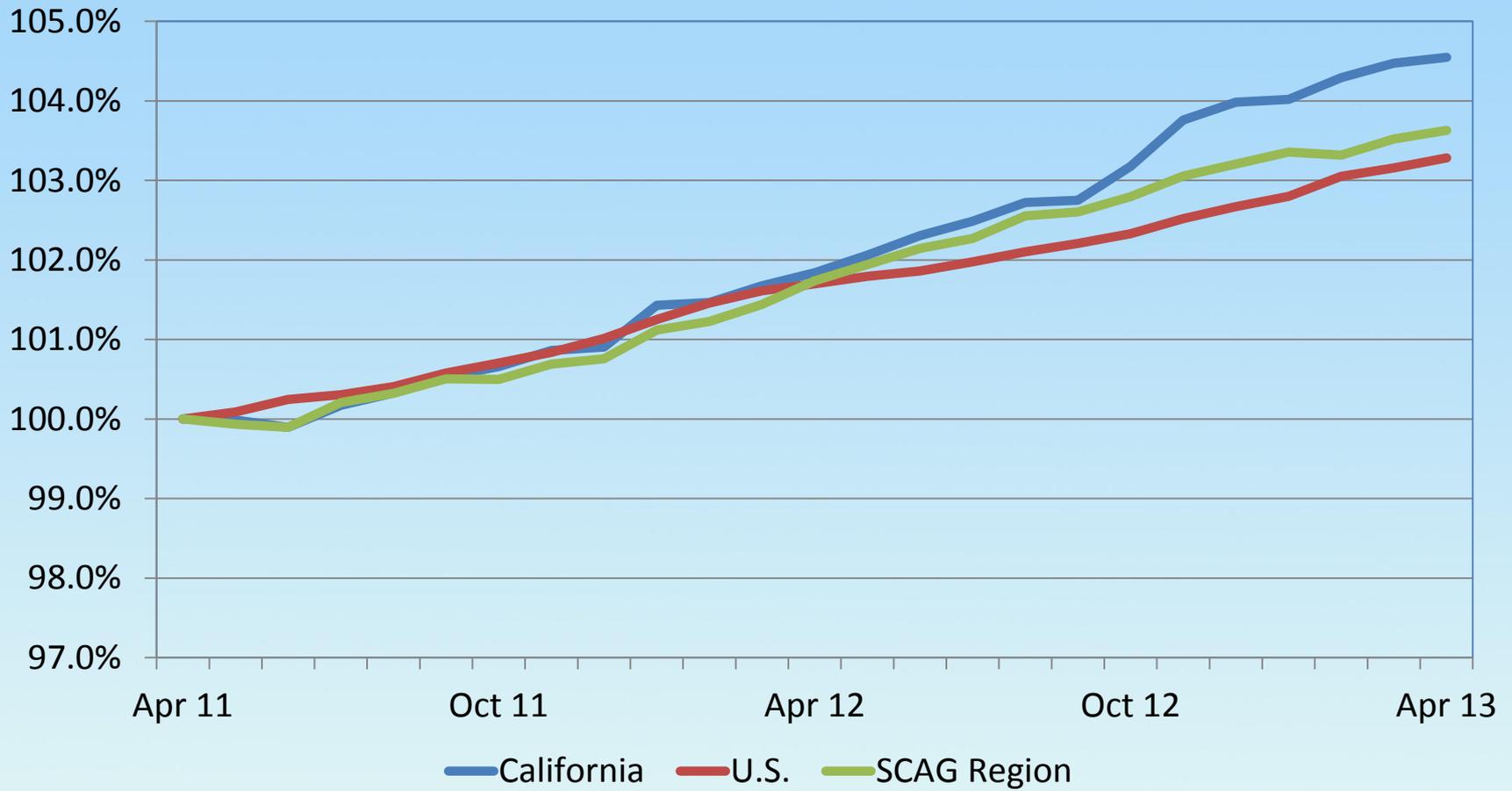
The SCAG Job Forecast Process

- Reviewing recent trends
- Reviewing other forecasts
- Developing a CCSCE job projection based on industry share analysis compared to California
- Incorporating panel feedback

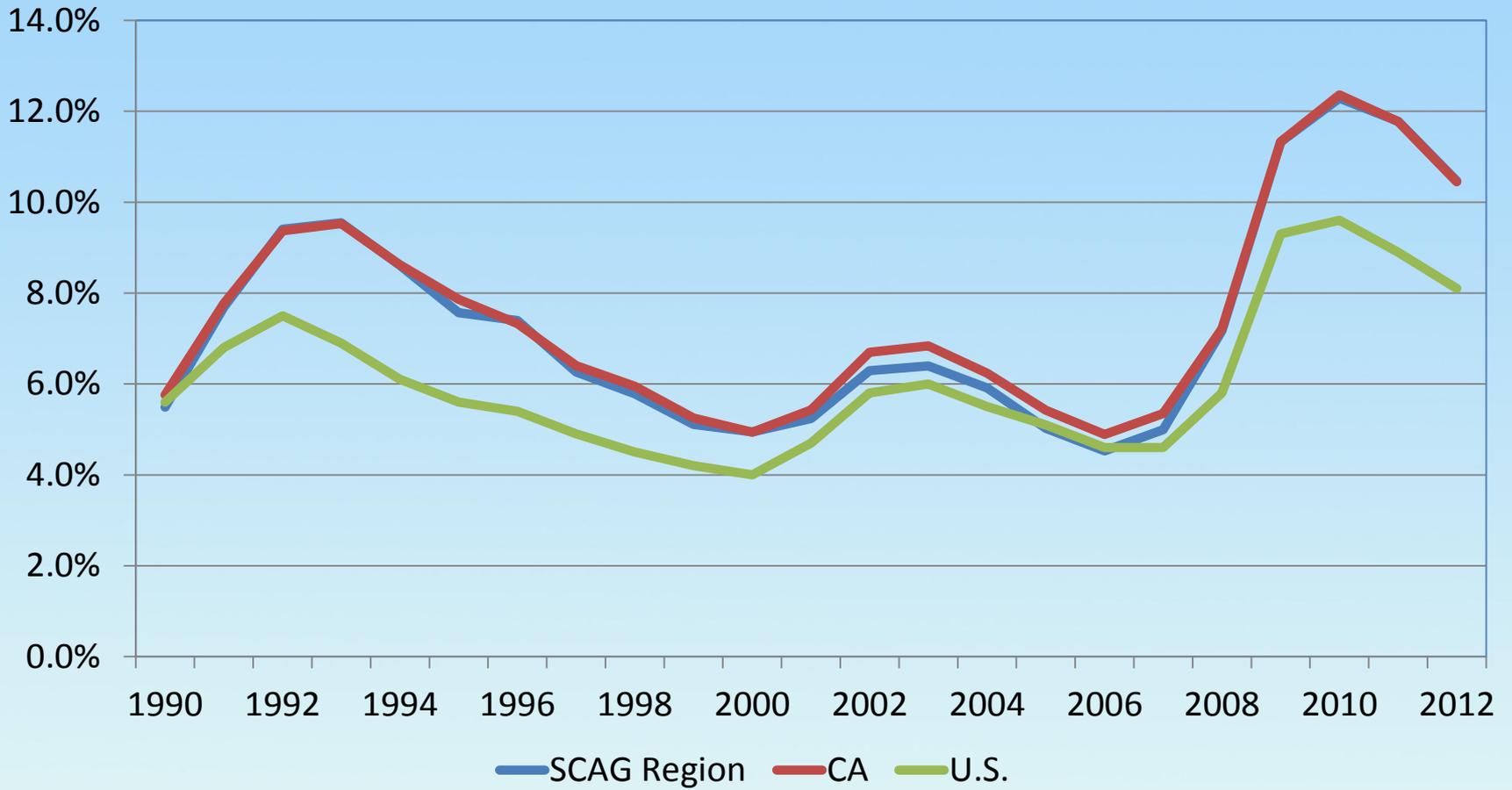
SCAG Region Share of CA Jobs



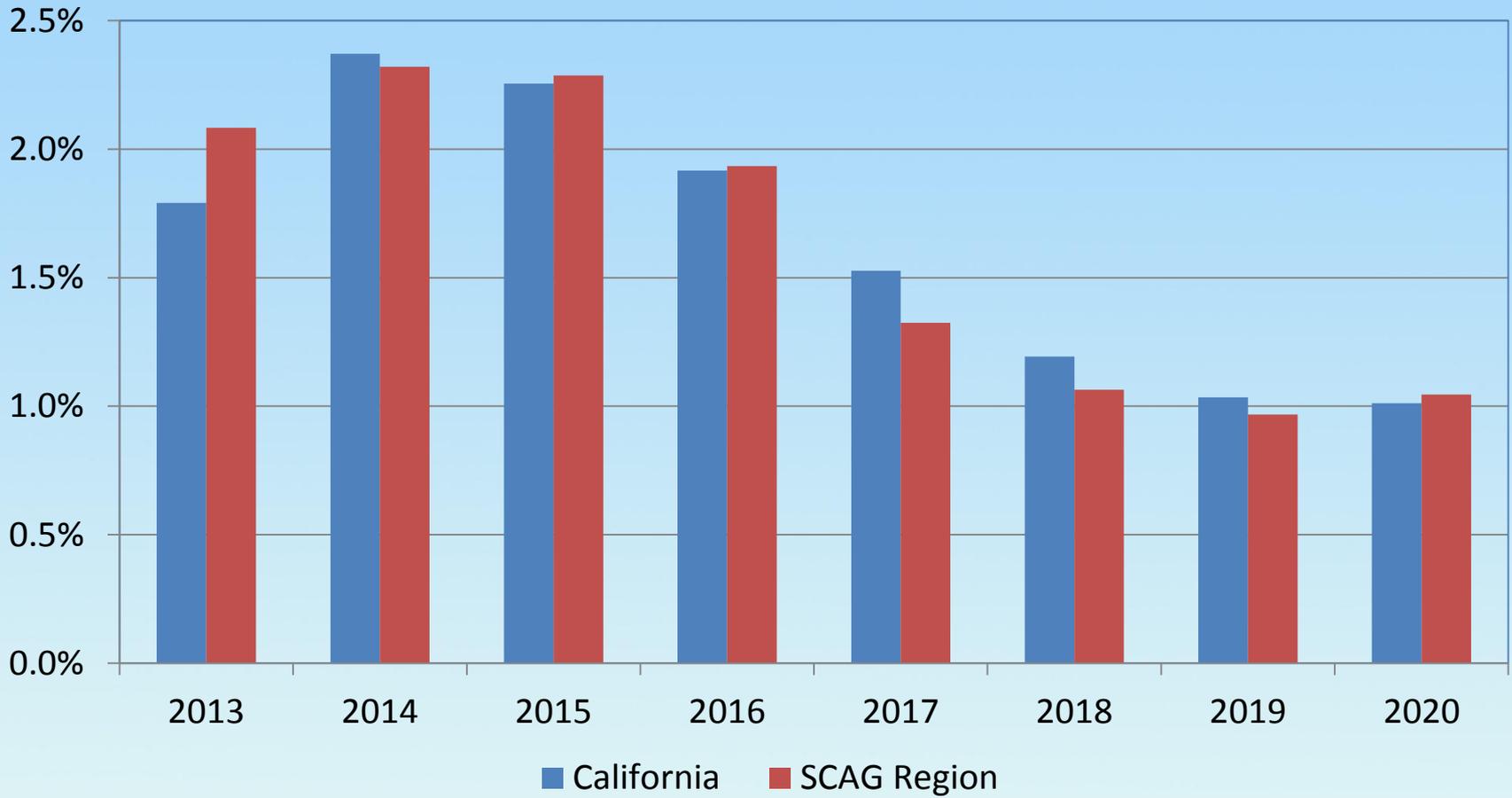
Job Growth Over Past 24 Months



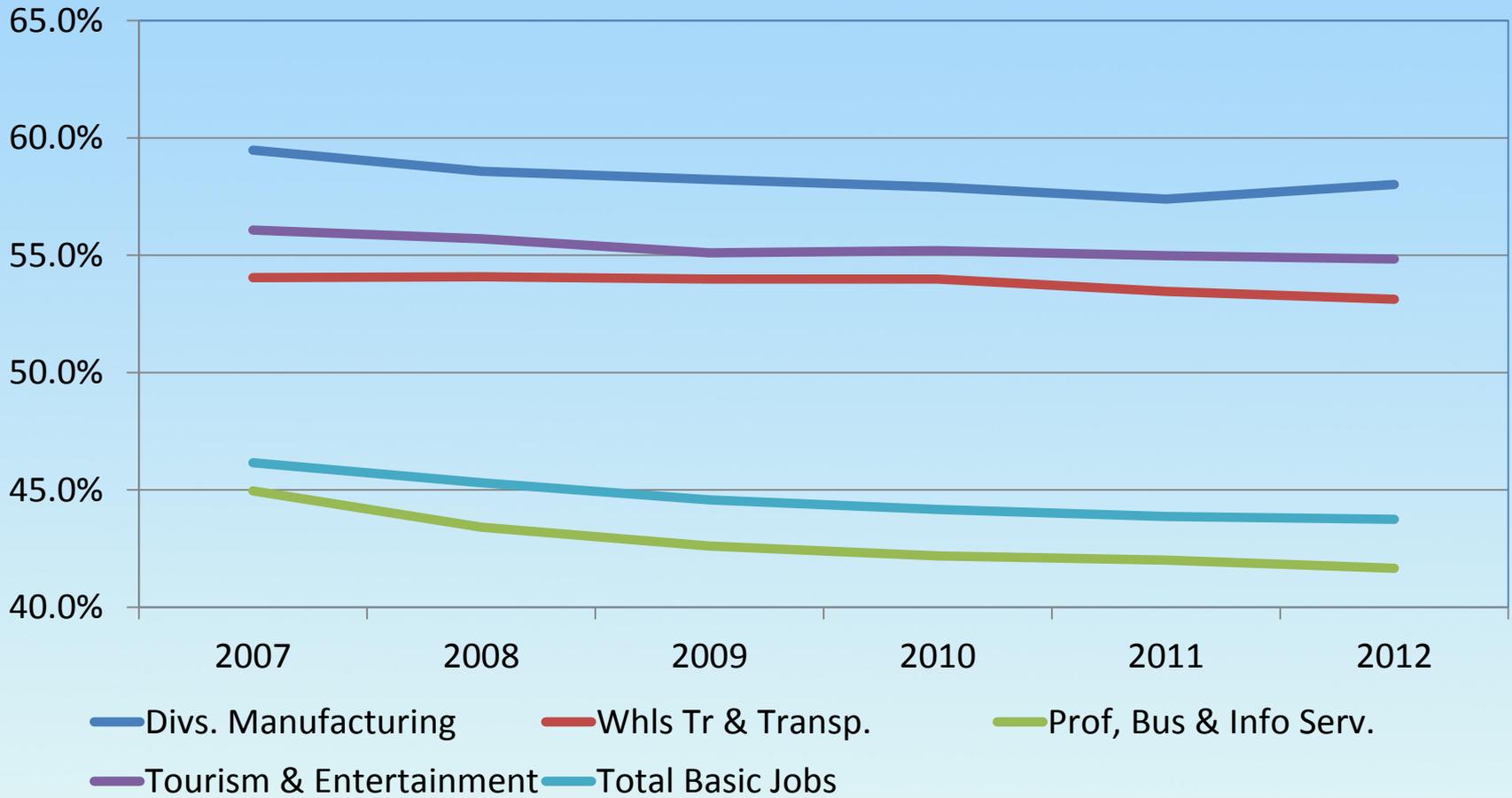
Unemployment Rate Trends



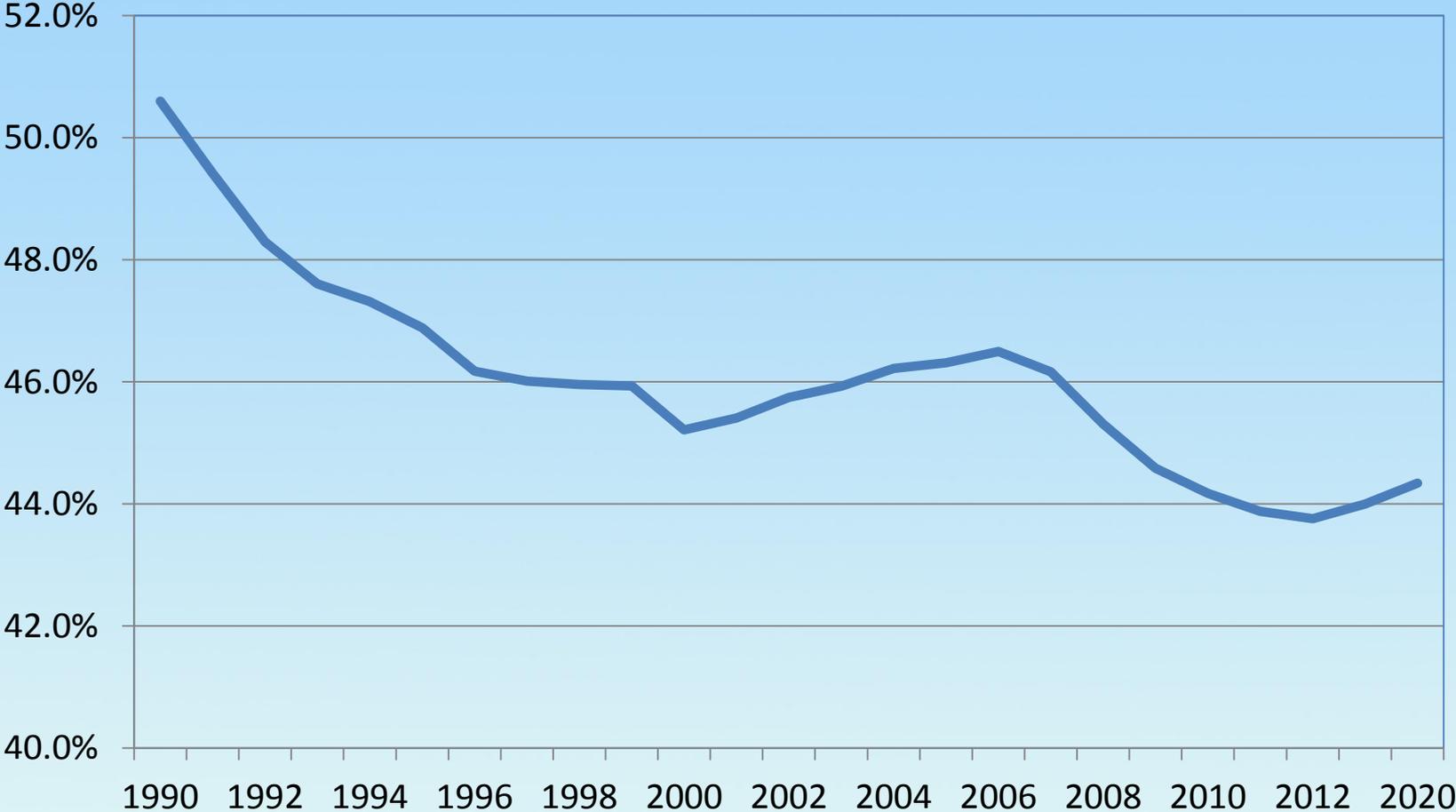
CA Economic Forecast Project Job Growth Forecast



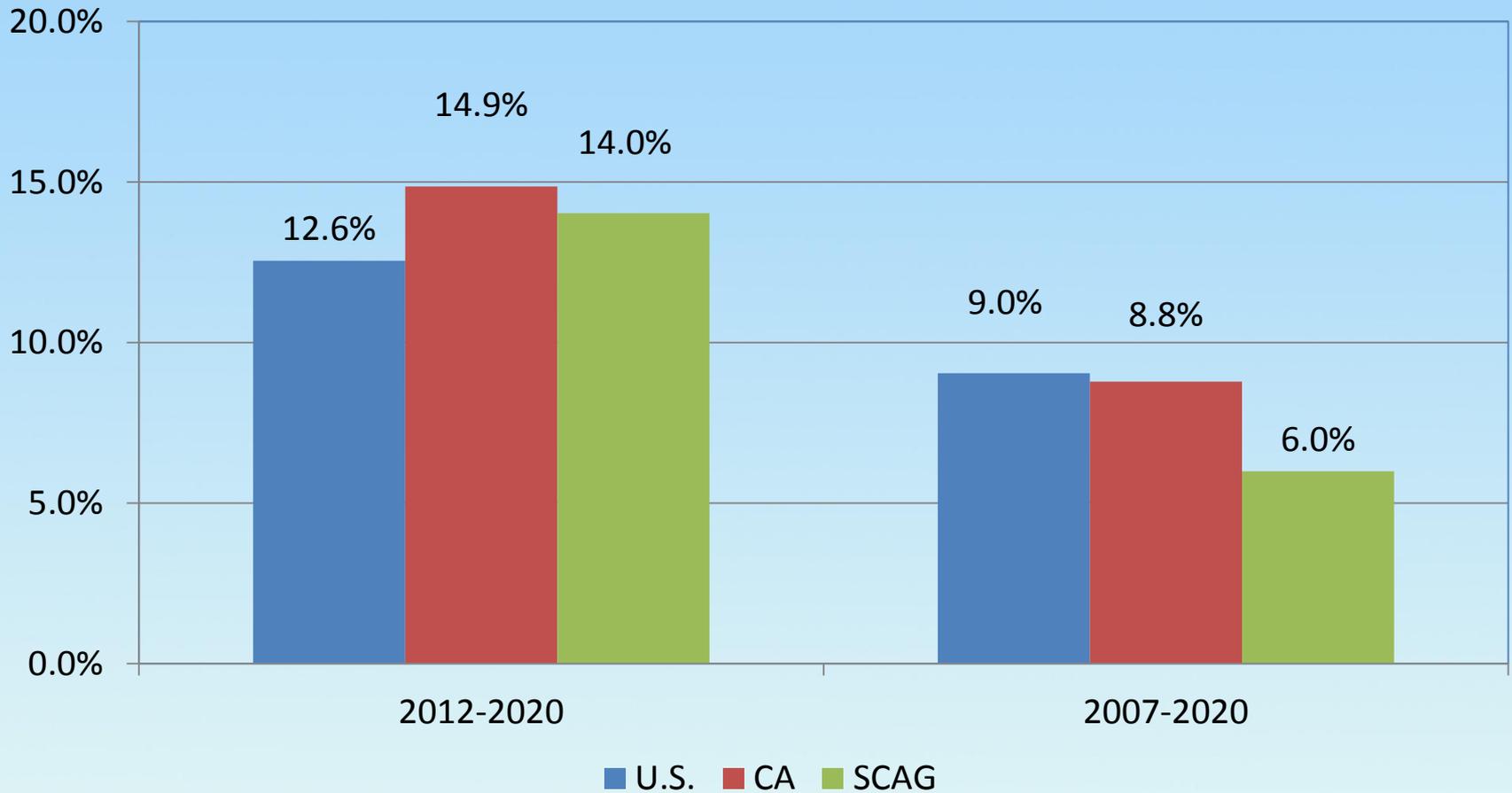
SCAG Share of CA Basic Jobs



SCAG Region Share of CA Basic Jobs to 2020



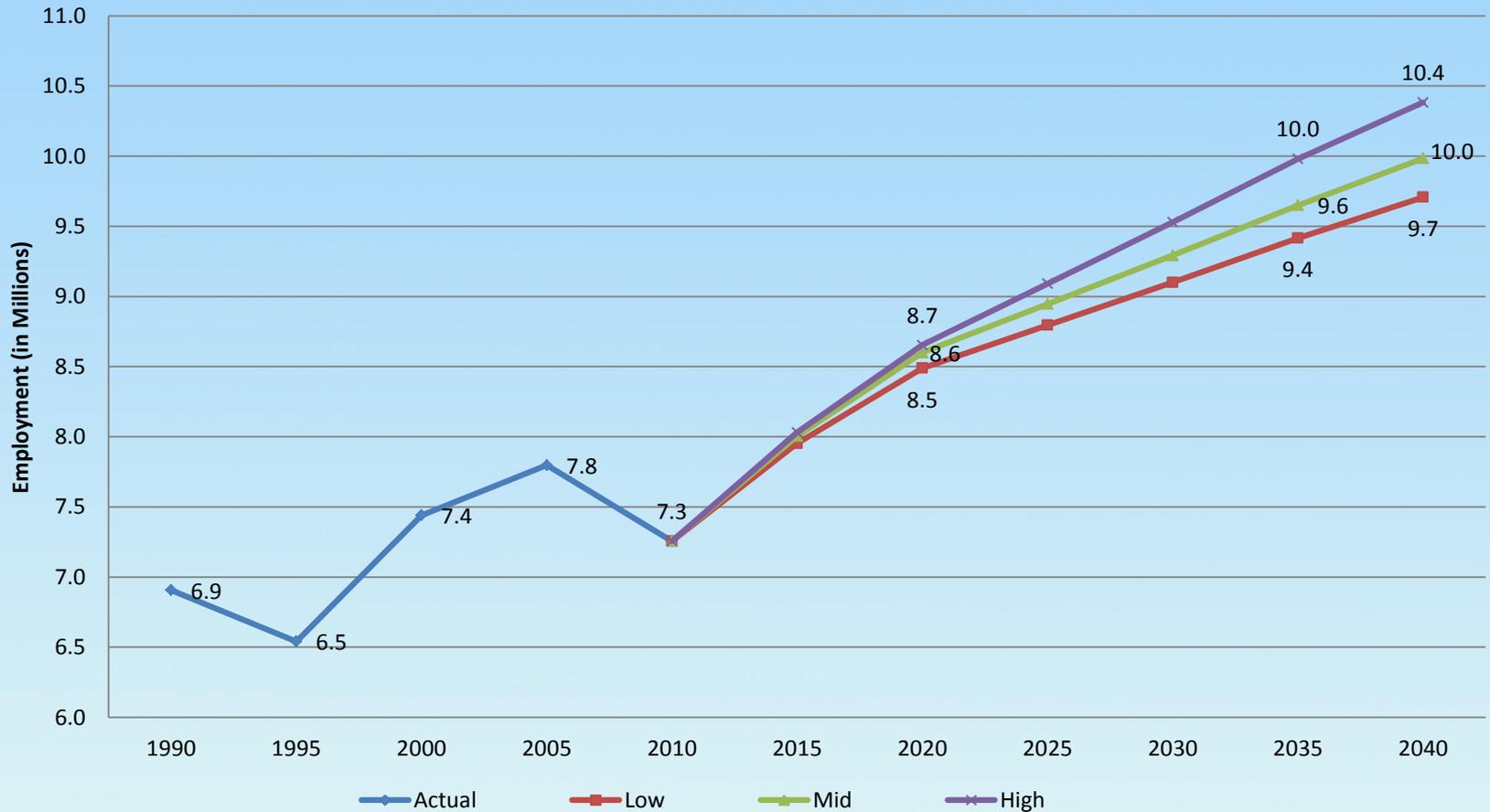
Job Growth to 2020



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



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

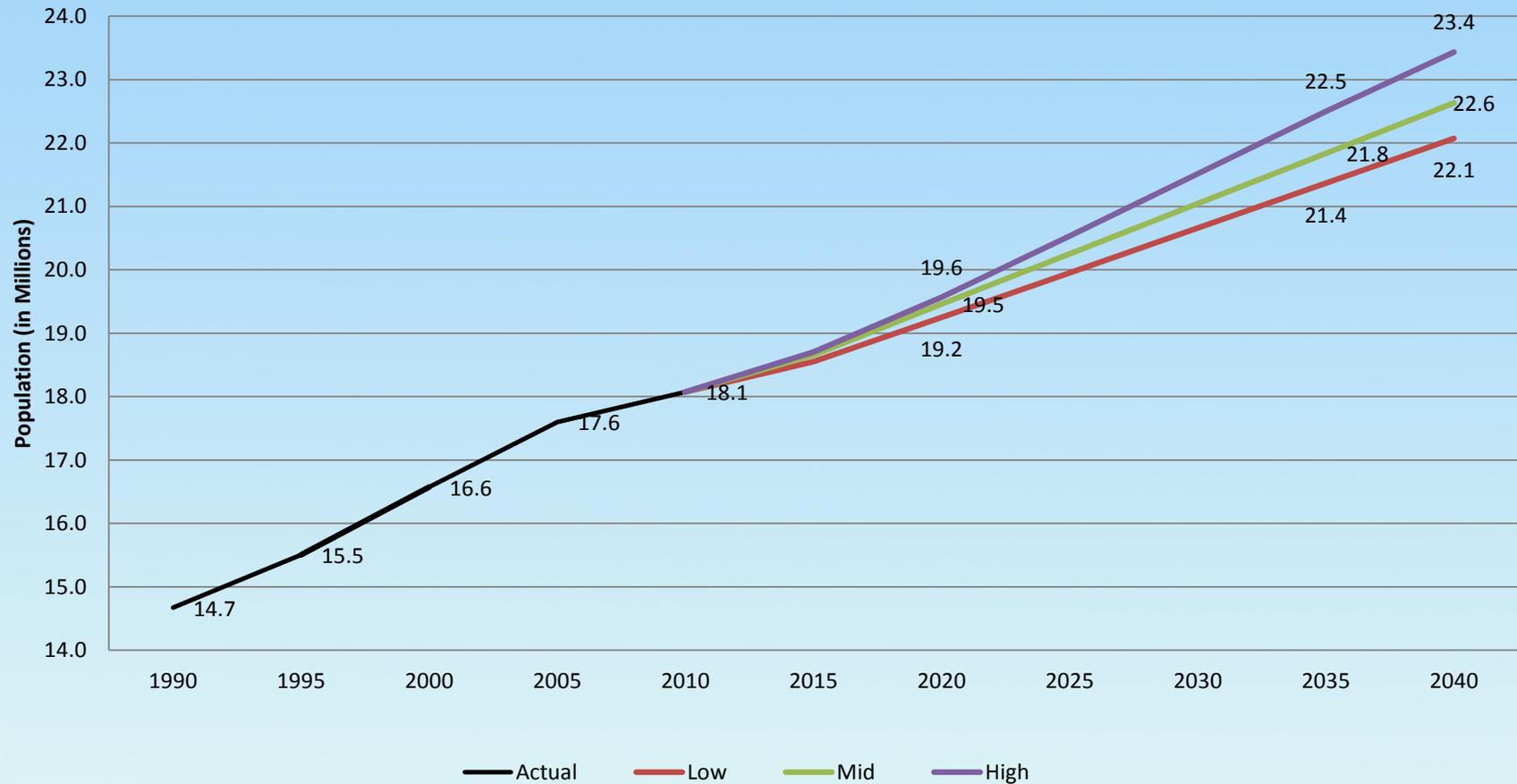
Major Determinants of SCAG Region Population Growth

- 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



Factors Affecting Household Projections

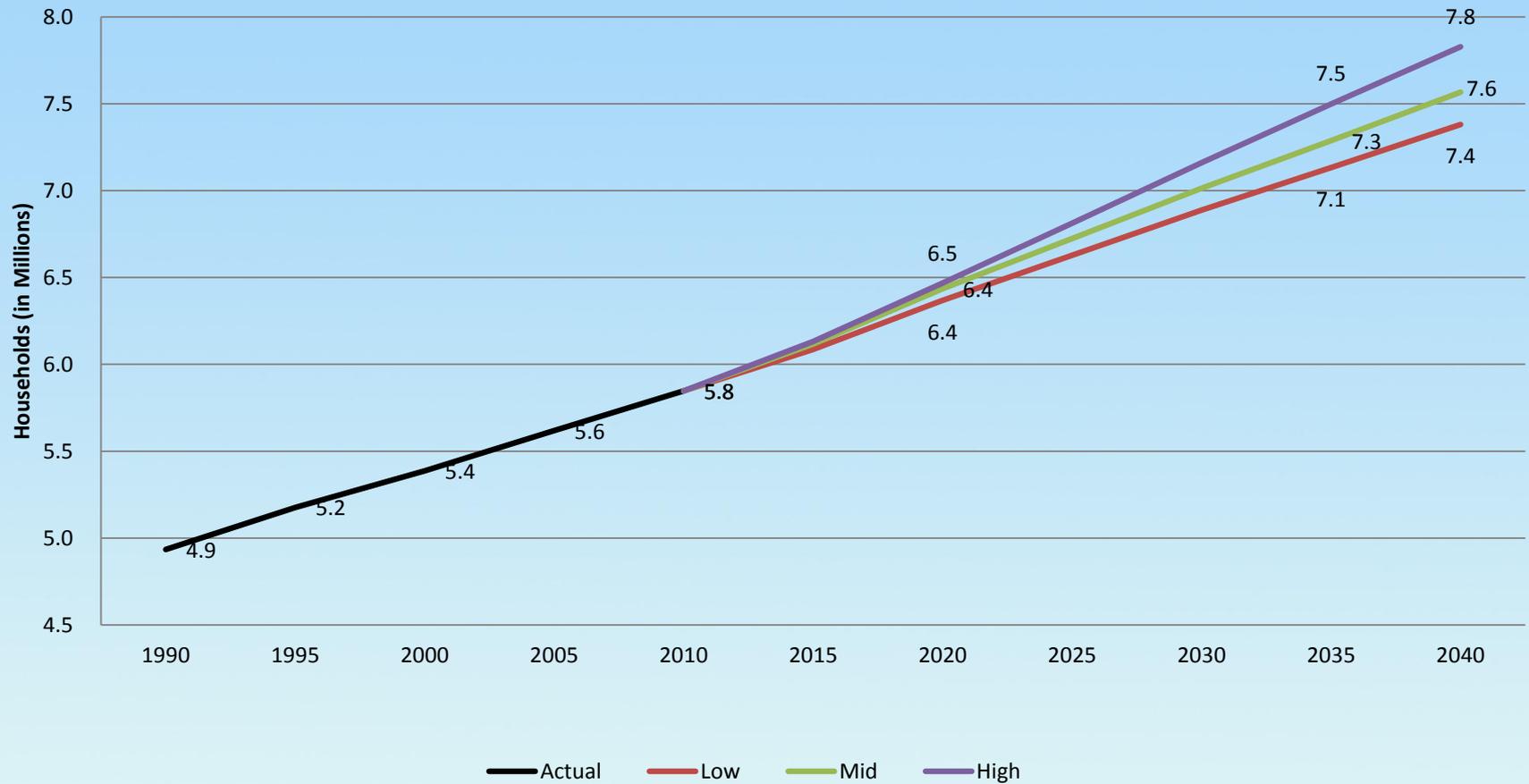
- Household projections can vary for two reasons—1) changes in job growth levels and 2) changes in household formation for any given level of job growth
- Household formation can vary for financial reasons—1) low income growth. 2) poor housing affordability, or 3) lack of new affordable units
- HH formation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

	2009-2011	2040
White (NH)	51%	52%
Black (NH)	49%	51%
Asian & Others (NH)	39%	44%
Hispanic	34%	37%
Total	41.7%	42.4%

SCAG Region Range of Preliminary Household Projections



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 policies 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



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