



PANEL 2

What Does the *New Growth Reality* Mean for Regions?



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Don't Panic!

Rachel Franklin (@rsfrankl)

Newcastle University

Anyone who believes that exponential growth can go on forever in a finite world is either a madman or an economist.

– Kenneth Boulding

Let's talk about *population* growth

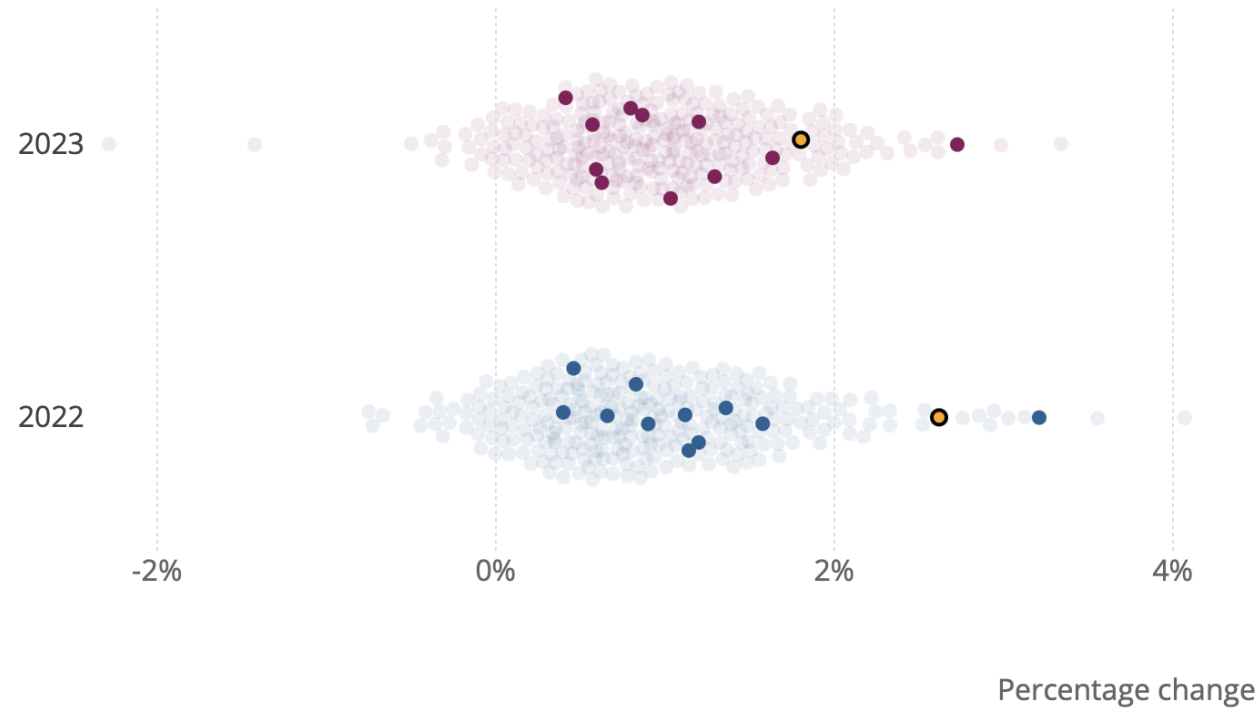
Figure 8: Population change in local authorities of England and Wales, mid-2021 to mid-2022 and mid-2022 to mid-2023

Newcastle upon Tyne



1.8% percentage change in total LA population from mid-year 2022 to mid-year 2023 following 2.6% percentage change between mid-year 2021 to mid-year 2022.

Local authorities within the same region (North East) are highlighted



Source: Population estimates from the Office for National Statistics

Source: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/populationestimatesforenglandandwales/mid2023#regional-population-change>

Population on 1 January 2022 and population change in 2021

Visualisation

(million inhabitants and per 1 000 inhabitants)

Select a region



eurostat

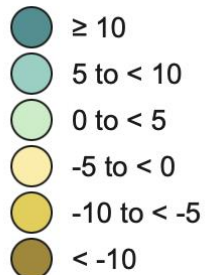


Population, 1 January 2022 (million)



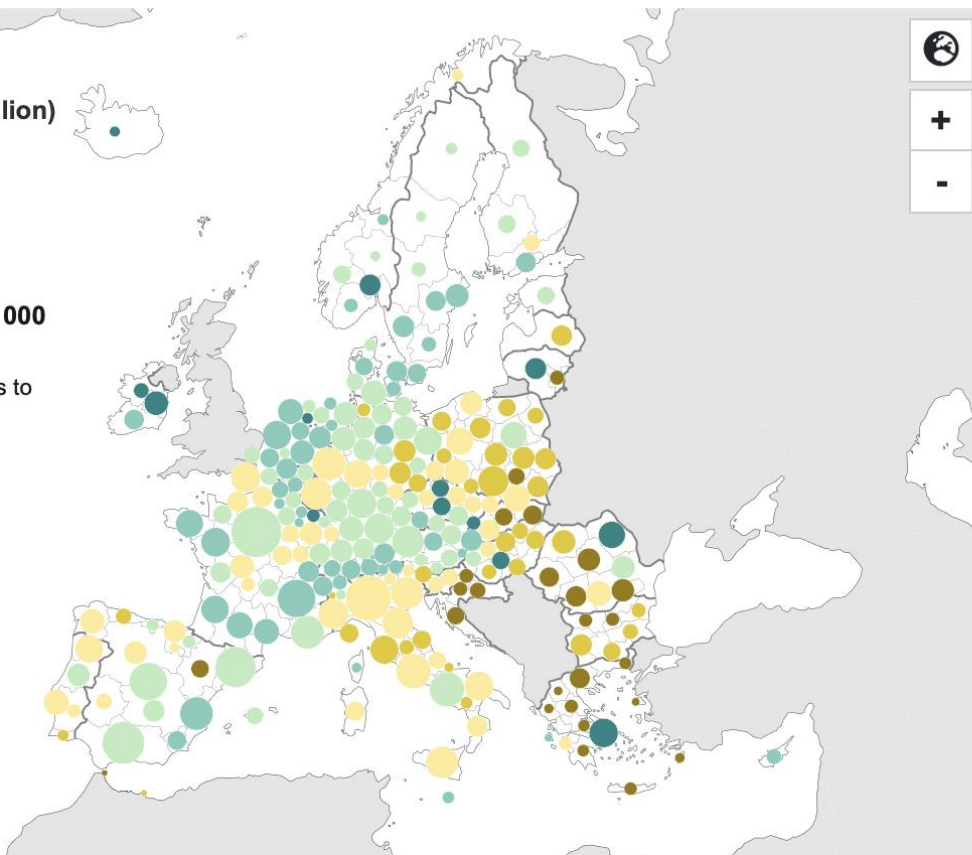
Population change, 2021 (per 1 000 inhabitants)

Hover over the different legend classes to highlight them on the map



Select geographic level

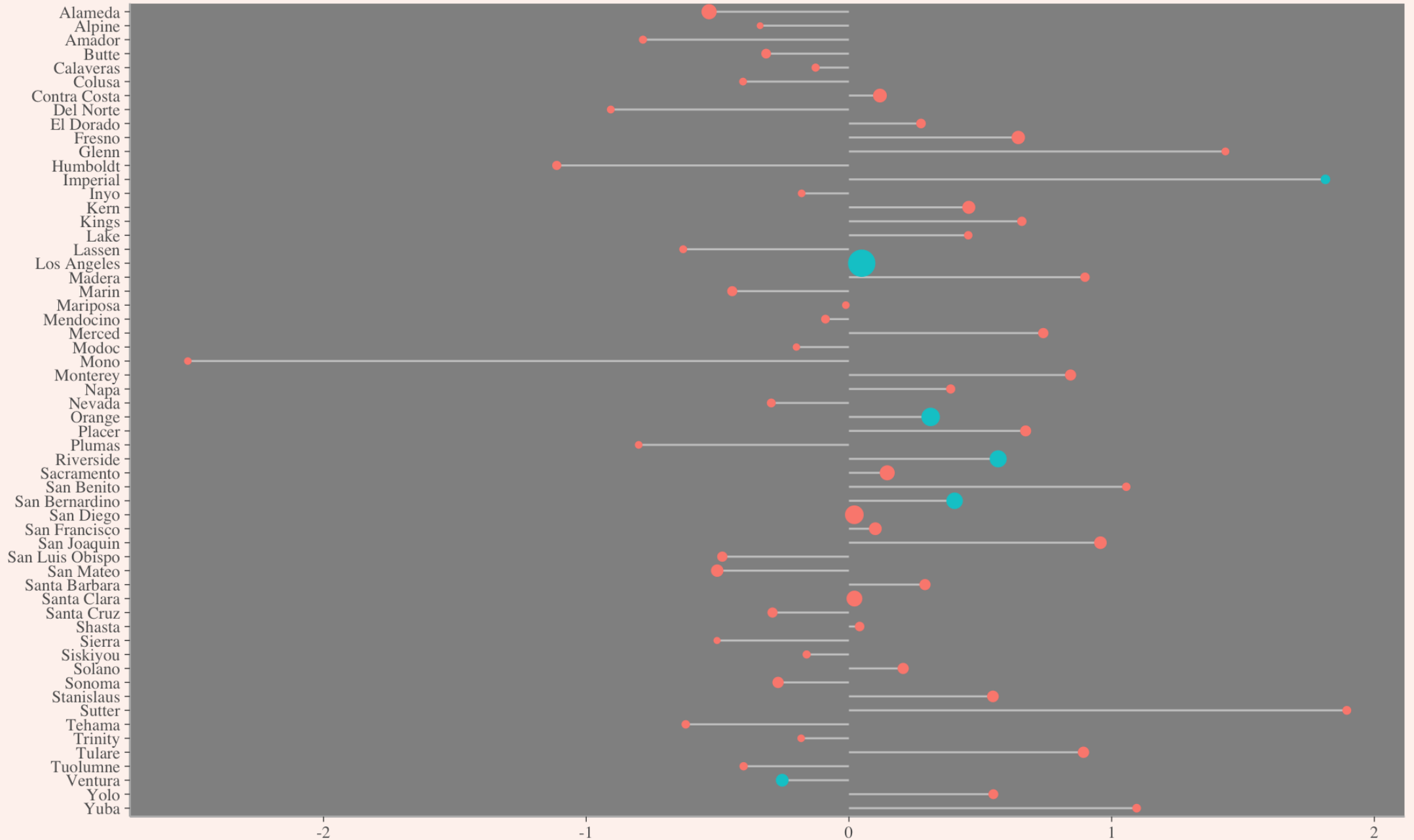
- Country
- NUTS 1
- NUTS 2
- NUTS 3



Boundaries: © EuroGeographics © UN-FAO © Turkstat, Cartography: Eurostat - GISCO, 2023

Source: Eurostat - [access to dataset](#)

Source: <https://ec.europa.eu/eurostat/web/interactive-publications/regions-2023>



California County Population Change (%), Jan 2023-Jan 2024 (CA Dept of Finance)

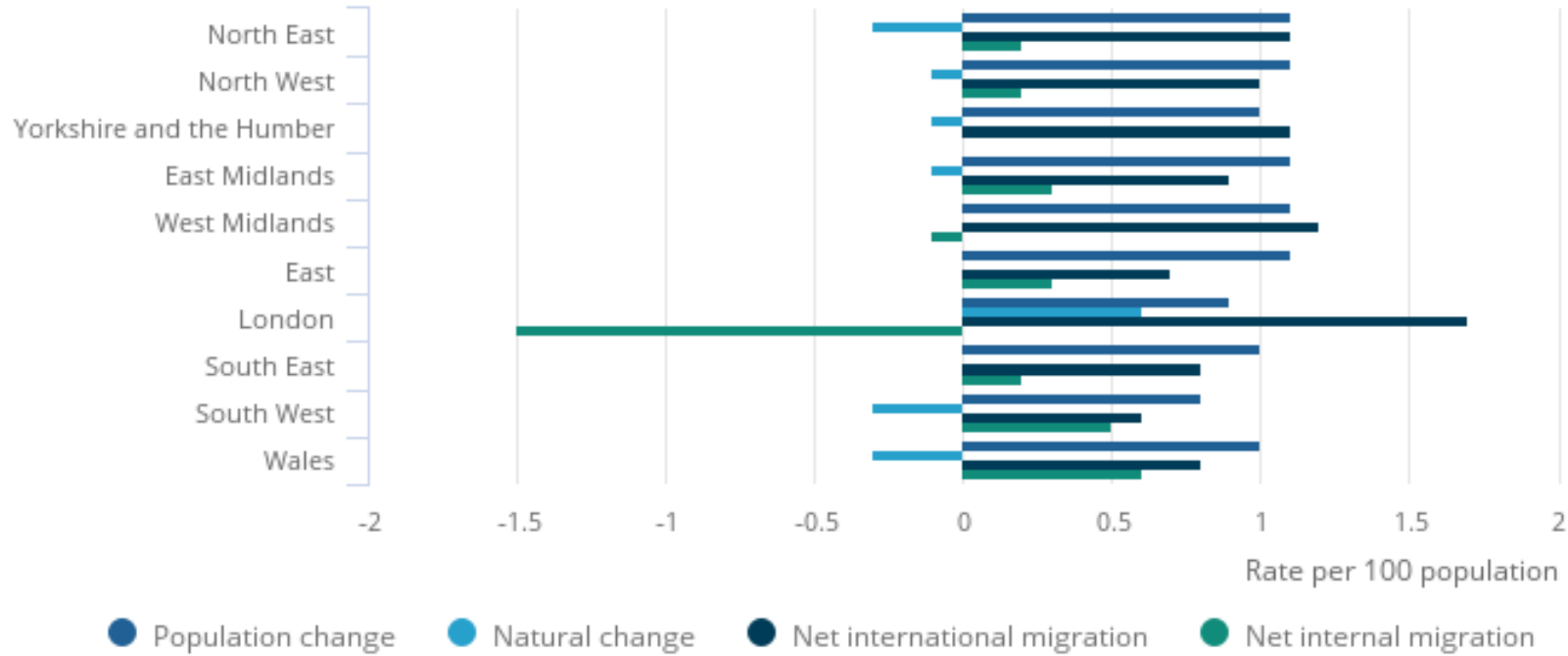
**Growth (and shrinkage) aren't just *one*
thing**

They're the product of several inter-related processes

- Natural change (births and deaths)
- Internal migration (in-migrants and out-migrants)
- International migration (immigration...but also emigration!)
- ~~Interstellar migration~~

Figure 7: Rate of population change in regions of England and Wales

Population change rate by component, regions of England and Wales, mid-2023



Source: Population estimates from the Office for National Statistics

Source: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/populationestimatesforenglandandwales/mid2023#regional-population-change>

And these processes matter for policy*

- Understanding the role of age structure
- And drivers of loss and growth (like, is it mostly age structure?)
- And constraints on demographic fulfillment, whether migration or fertility

* local, regional, *and* national

Demographic changes are happening everywhere

- Low fertility (*below* replacement level, actually)
- Migration slowdowns
- Net out-migration
- Ageing

(and of course no place is a demographic island)

Remember the successes that got us where we are

- Increased (healthy) life expectancy
- Contraception and choice
- Freedom of movement

And some additional rules to guide us

1. No one stuck in place (at neighborhood or regional scale)
2. No one *forced* to move, either
3. Everyone able to achieve their desired family size
4. Caution about internal migration as a magic bullet
5. Emphasis on equality of opportunity

Where does that leave us?

- Understanding non-demographic policies may have intended and unintended demographic consequences
 - *All* local and regional policy is demographic?
- Getting comfortable with a new demographic status quo
- Keeping in mind Southern California does not exist in a bubble
- Less focus on growth: creating quality not quantity
- More focus on well-being and quality of life

Thank you and remember: *don't panic*

NAVIGATING THE NEW GROWTH REALITY



2024 Southern California Demographic Workshop Navigating The New Growth Reality

Considerations for the SCAG Region in the Post-COVID Economy

- **Somjita Mitra, Chief Economist**
California Department of Finance

September 24, 2024



State of the Economy

U.S

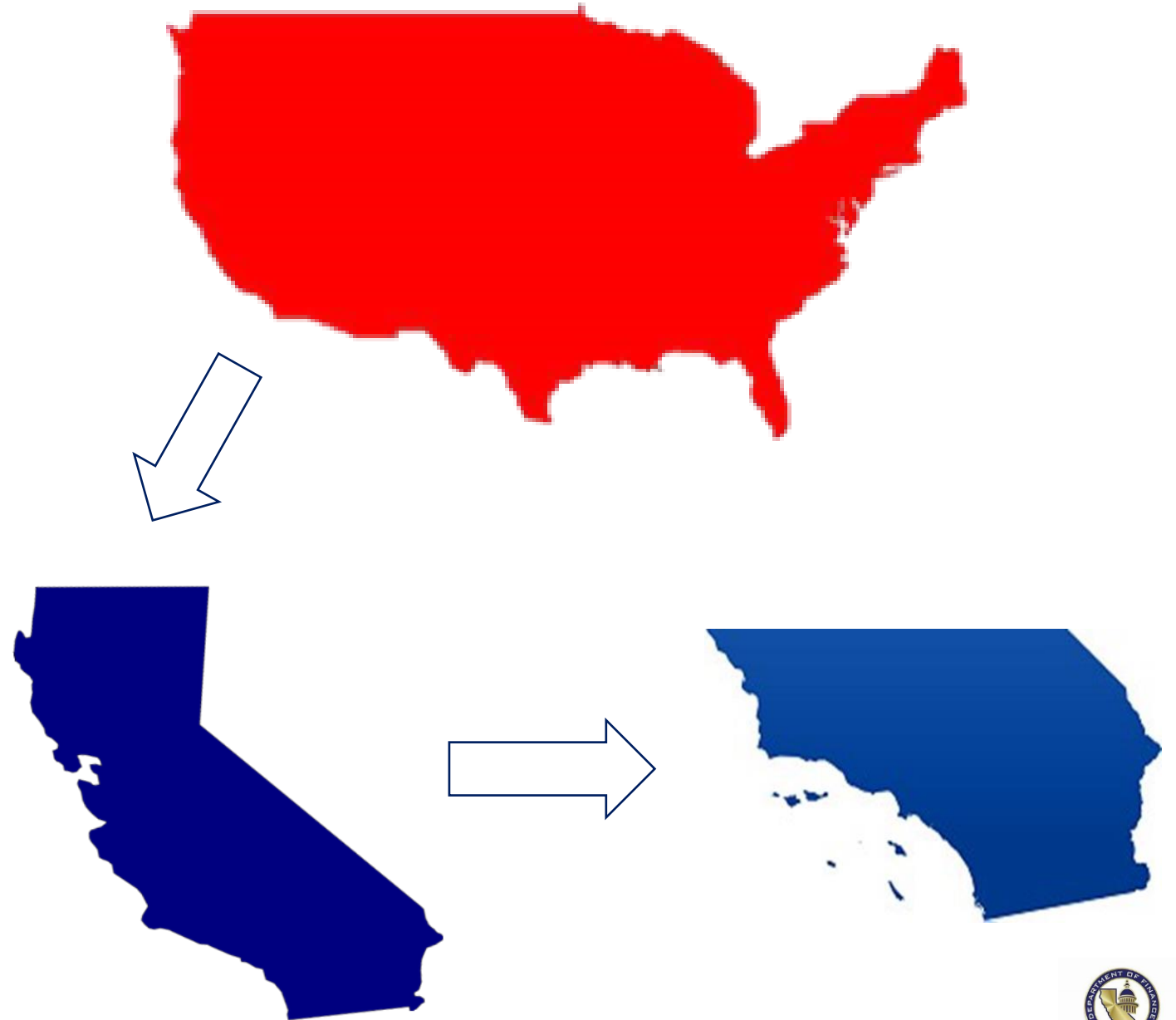
- ❑ 158.6 Million Nonfarm Jobs in July 2024
- ❑ 4.3 Percent Unemployment

California

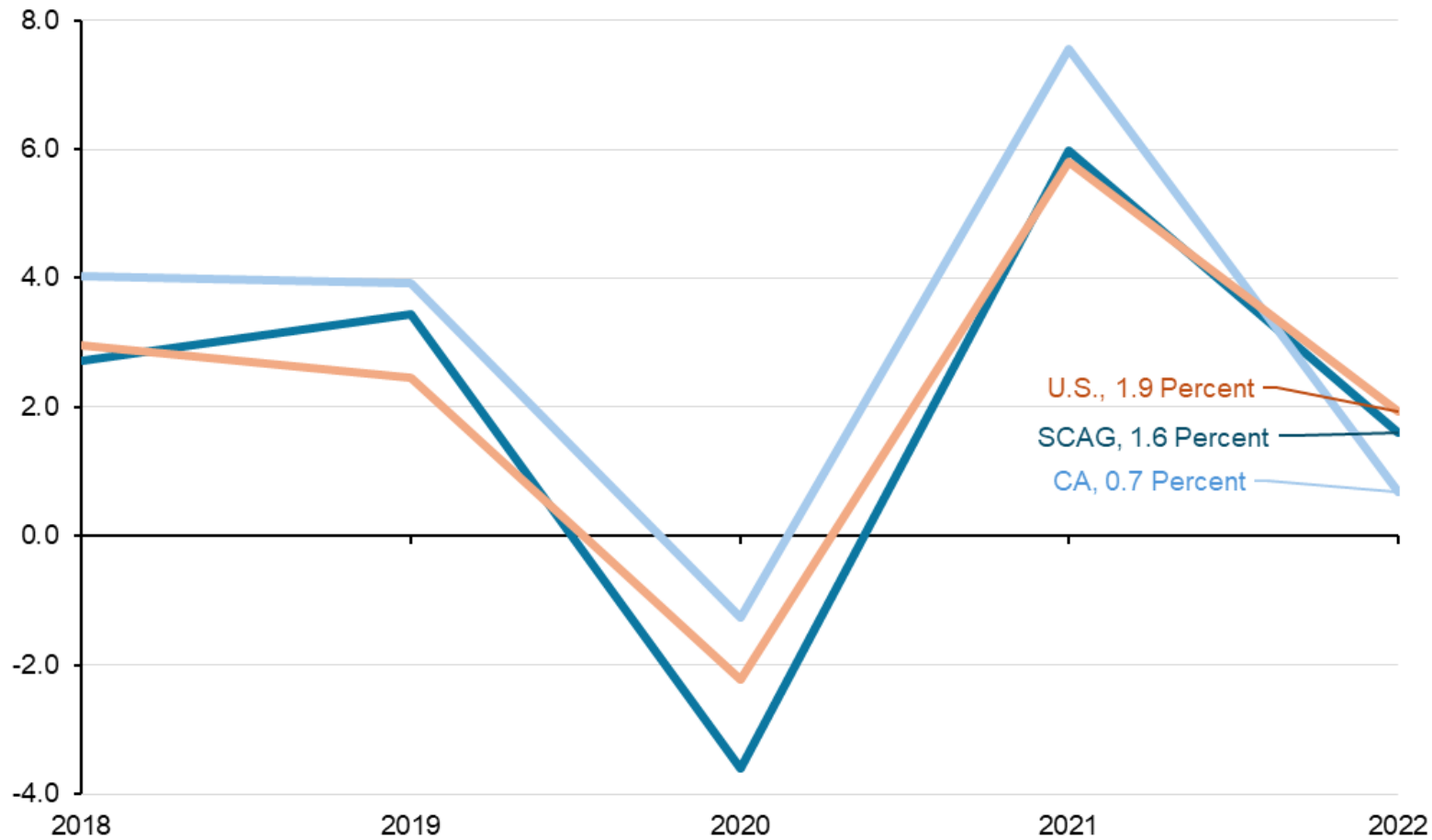
- ❑ 18.1 Million Nonfarm Jobs in July 2024
- ❑ 5.2 Percent Unemployment

SCAG Region

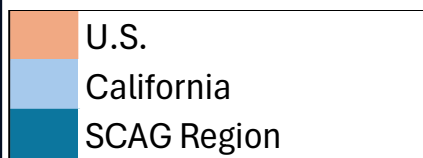
- ❑ 8.3 Million Nonfarm Jobs in July 2024
- ❑ 6 percent Unemployment



Real GDP Growth Over the Past Five Years



Source: U.S. Bureau of Economic Analysis, Real GDP by County



**SCAG Region = 17th
Largest Economy in
the World**

Top 20 economies ranked by 2022 nominal GDP, and ranked by 2022 per capita nominal GDP

Economy	2022 Nominal GDP In Billions of Dollars	Economy	2022 Per Capita Nominal GDP
United States	25,744	Luxembourg	126,598
China	17,849	Norway	108,439
Japan	4,256	New York	104,121
Germany	4,086	Ireland	103,291
California	3,642	Switzerland	93,677
India	3,353	California	93,278
United Kingdom	3,100	Singapore	88,429
France	2,780	SCAG Region	82,655
Texas	2,402	Qatar	80,573
Russia	2,272	Texas	79,992
Canada	2,161	United States	77,247
Italy	2,069	Iceland	76,284
New York	2,048	Denmark	68,132
Brazil	1,952	Australia	65,575
Australia	1,725	Florida	64,690
Korea	1,674	Netherlands	57,428
SCAG Region	1,539	Sweden	56,114
Mexico	1,463	San Marino	52,542
Florida	1,439	Austria	52,484
Spain	1,419	Finland	50,847

Source:

U.S. Bureau of Economic Analysis (BEA) for U.S., States and U.S. Counties.

International Monetary Fund (IMF) countries other than U.S.

U.S. Census Bureau: U.S. and states population for per capita nominal GDP Calculations.

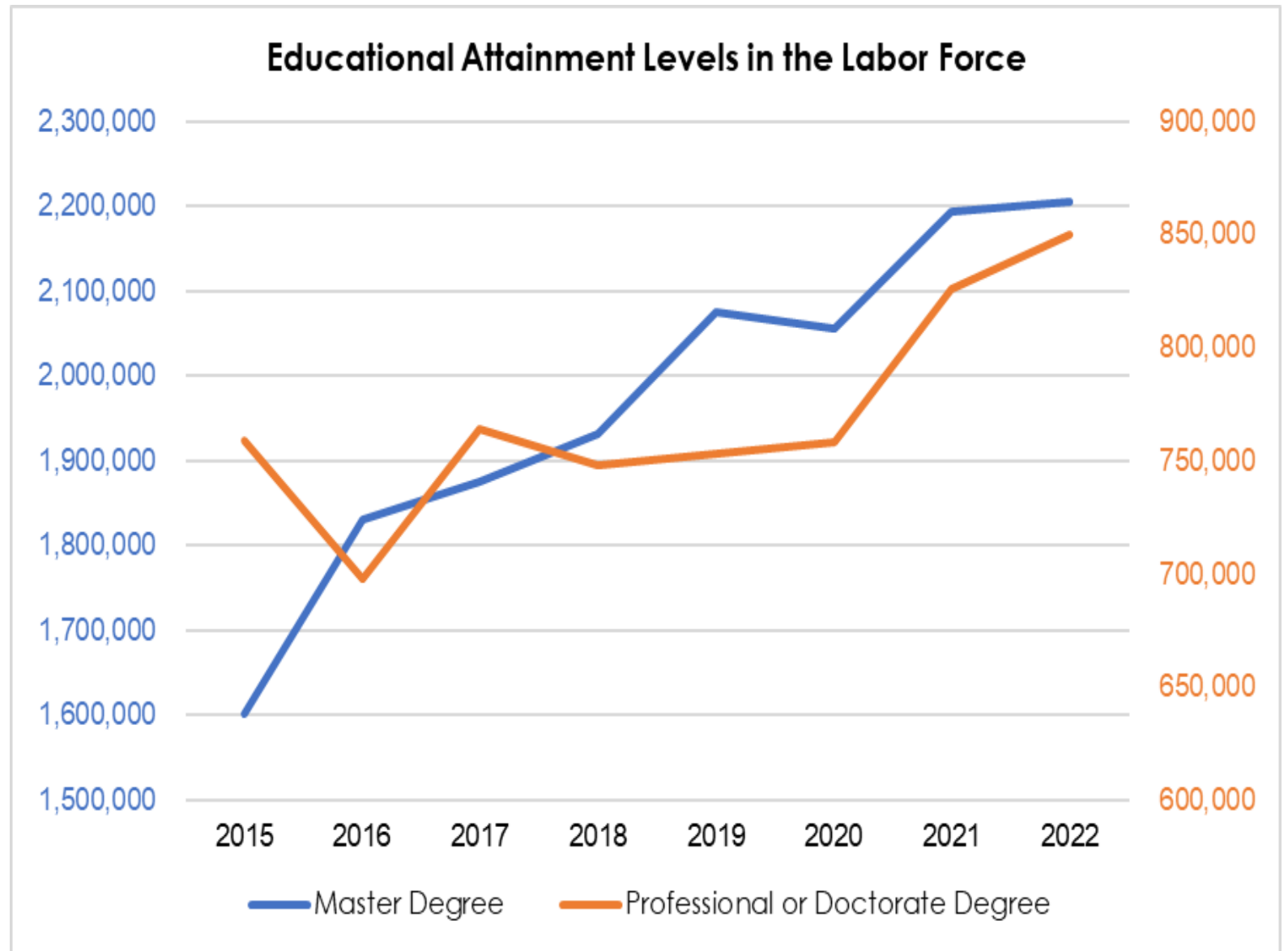
California Department of Finance Population estimated used for SCAG region per capita NGDP calculation.

Note: Per capita nominal GDP ranking excluded Macao SAR, which is a special administrative regions of China.



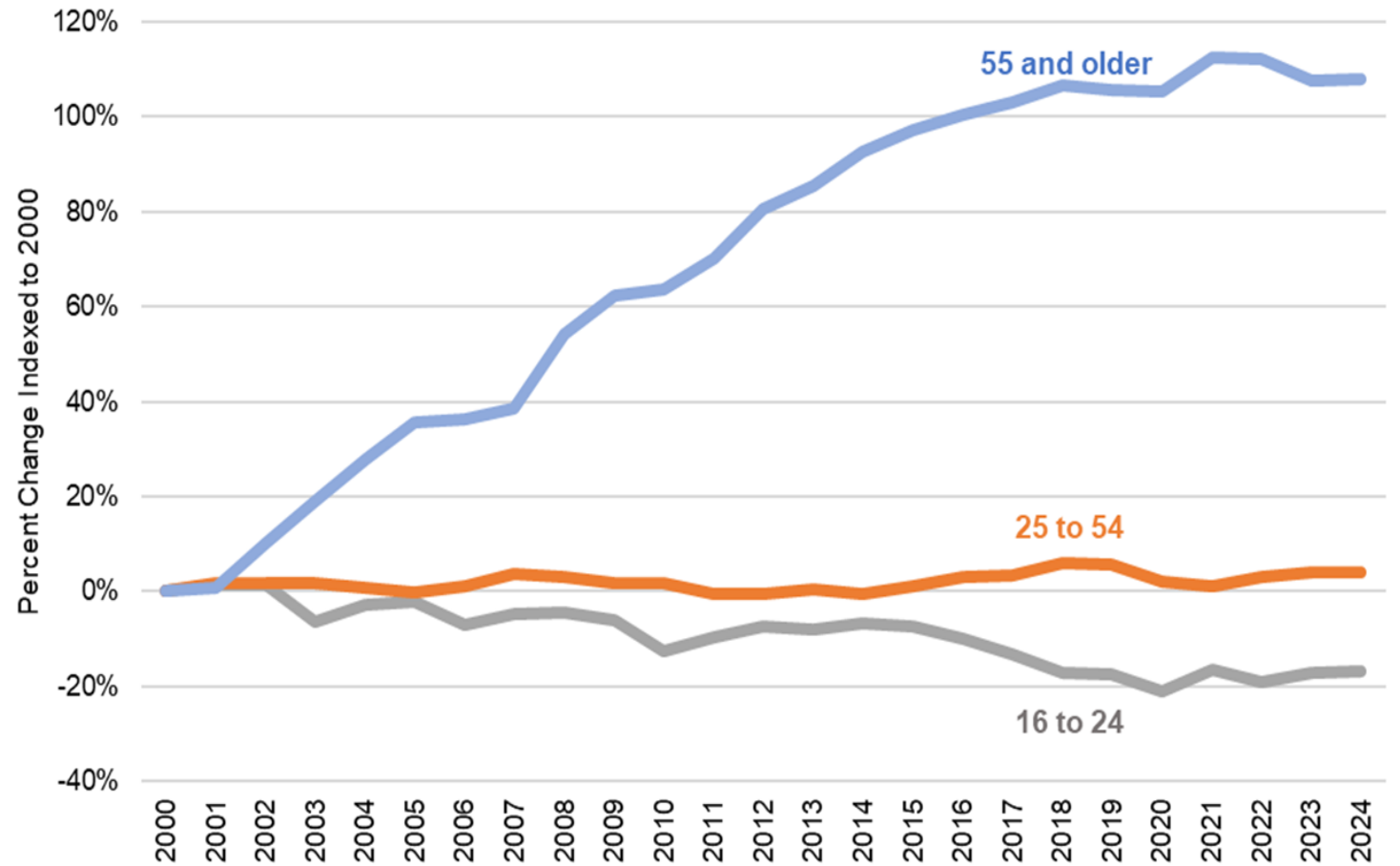
LABOR MARKET TRENDS

Higher Levels of Educational Attainment



California's Older Worker Labor Force has Grown Notably Since 2001

Change in California Labor Force by Age Group

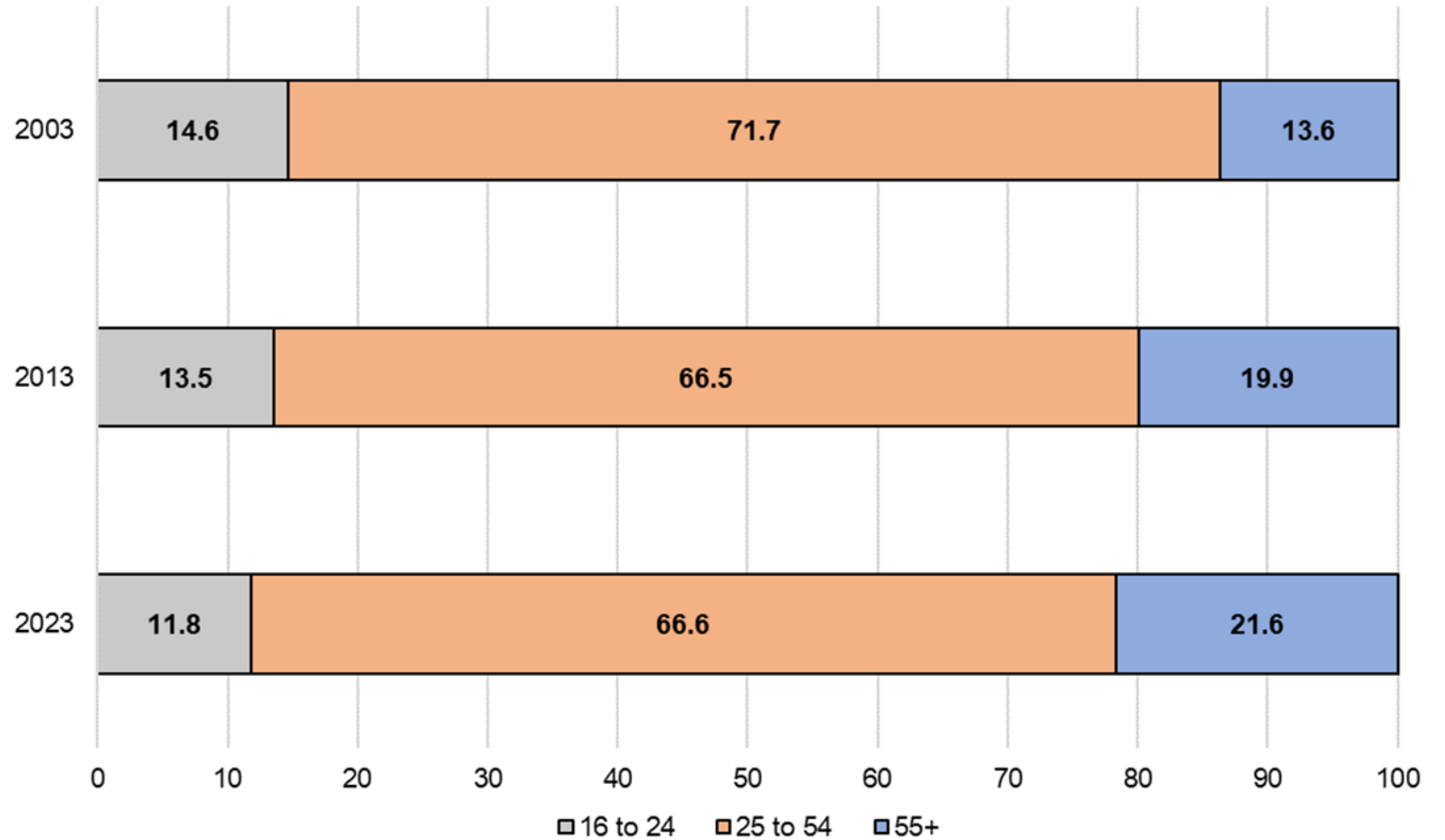


Source: U.S. Census Current Population Survey
Note: 2024 includes the first six months of available data



**Prime-Age Worker
Participation has been
Relatively Unchanged
Over the Past Decade**

California's Labor Force by Age Group

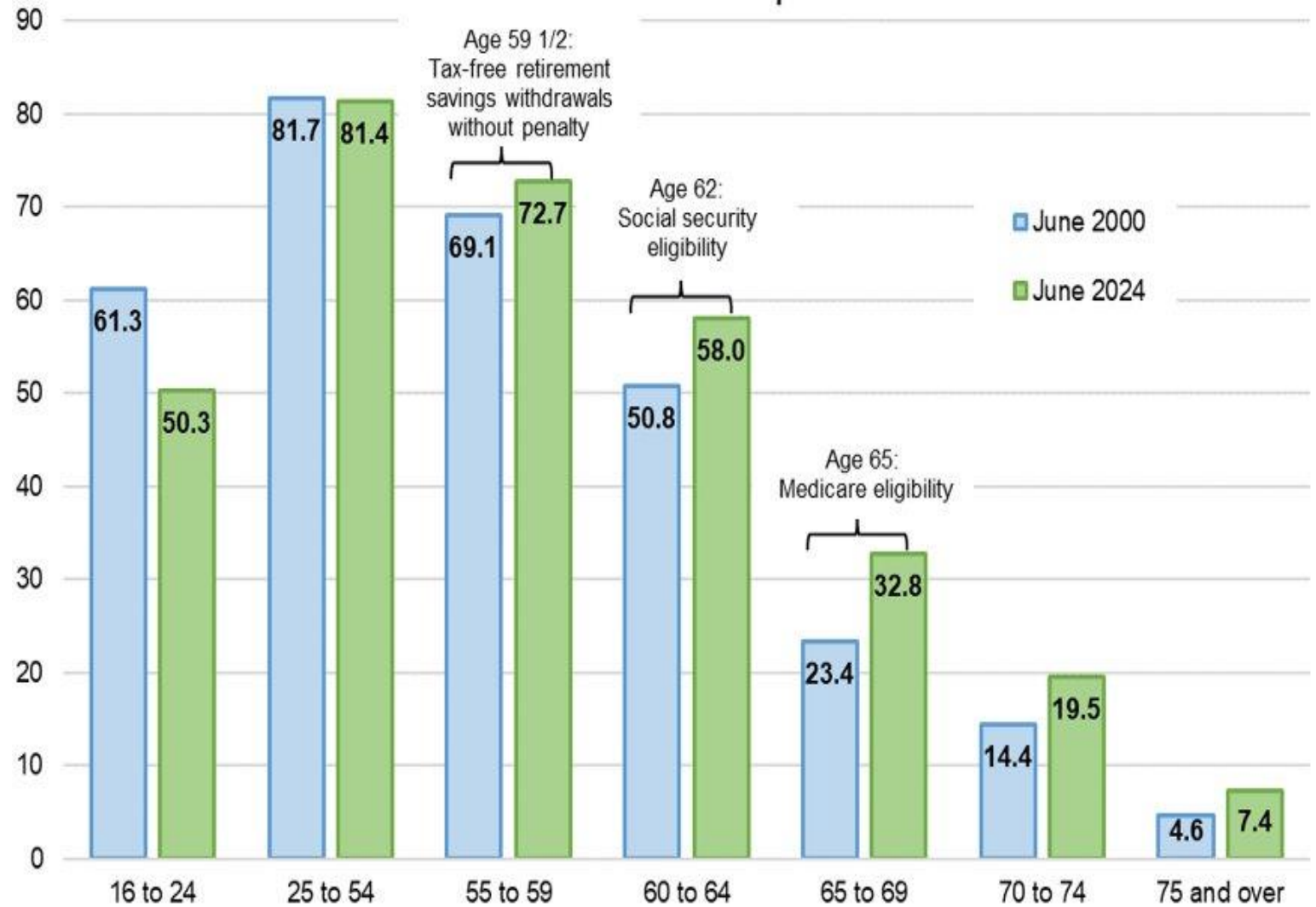


Source: U.S. Census Current Population Survey



More Older Workers Working Now

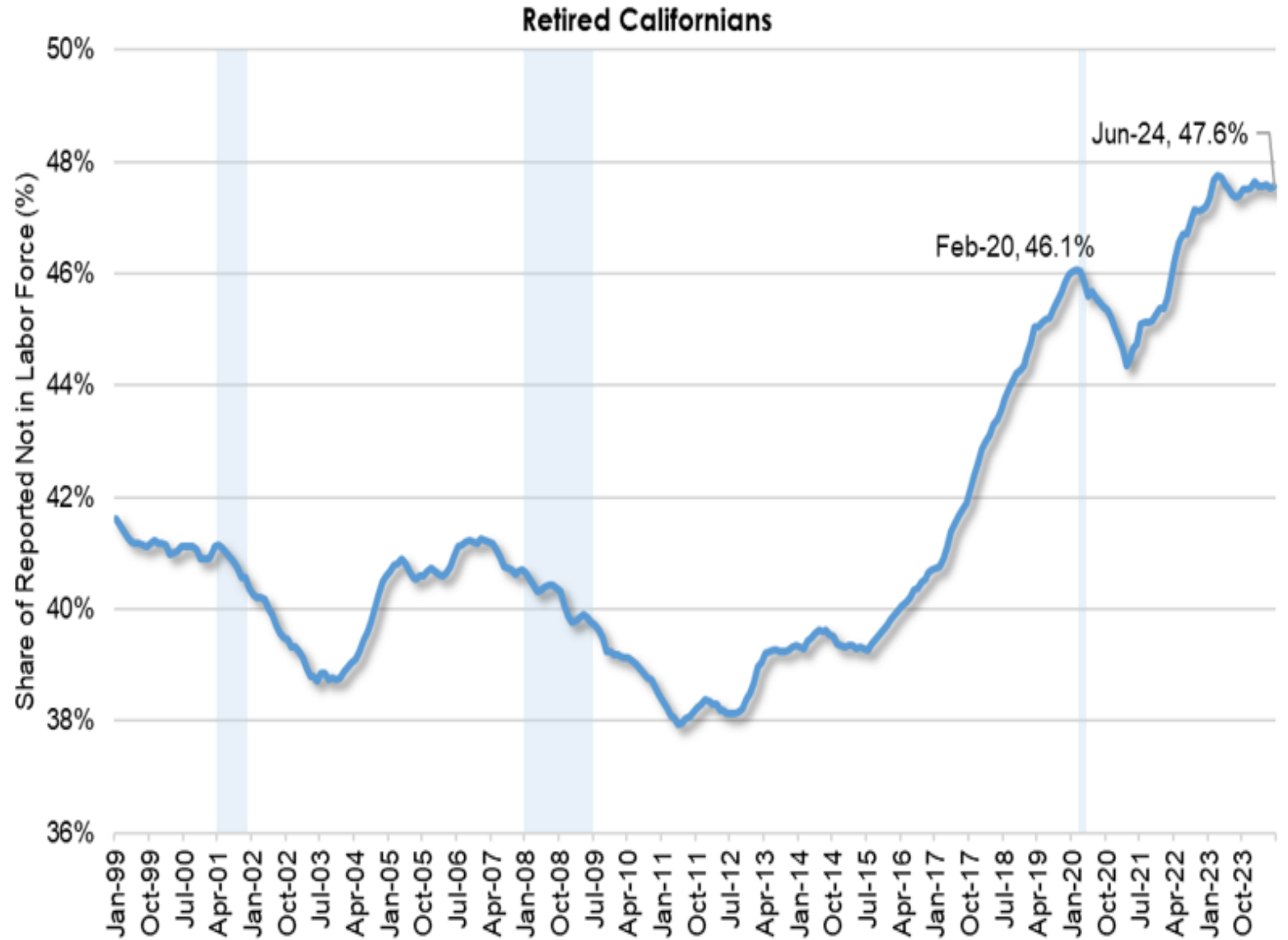
California Labor Force Participation Rates



Source: U.S. Census Current Population Survey



RISING SHARE OF RETIRED CALIFORNIANS

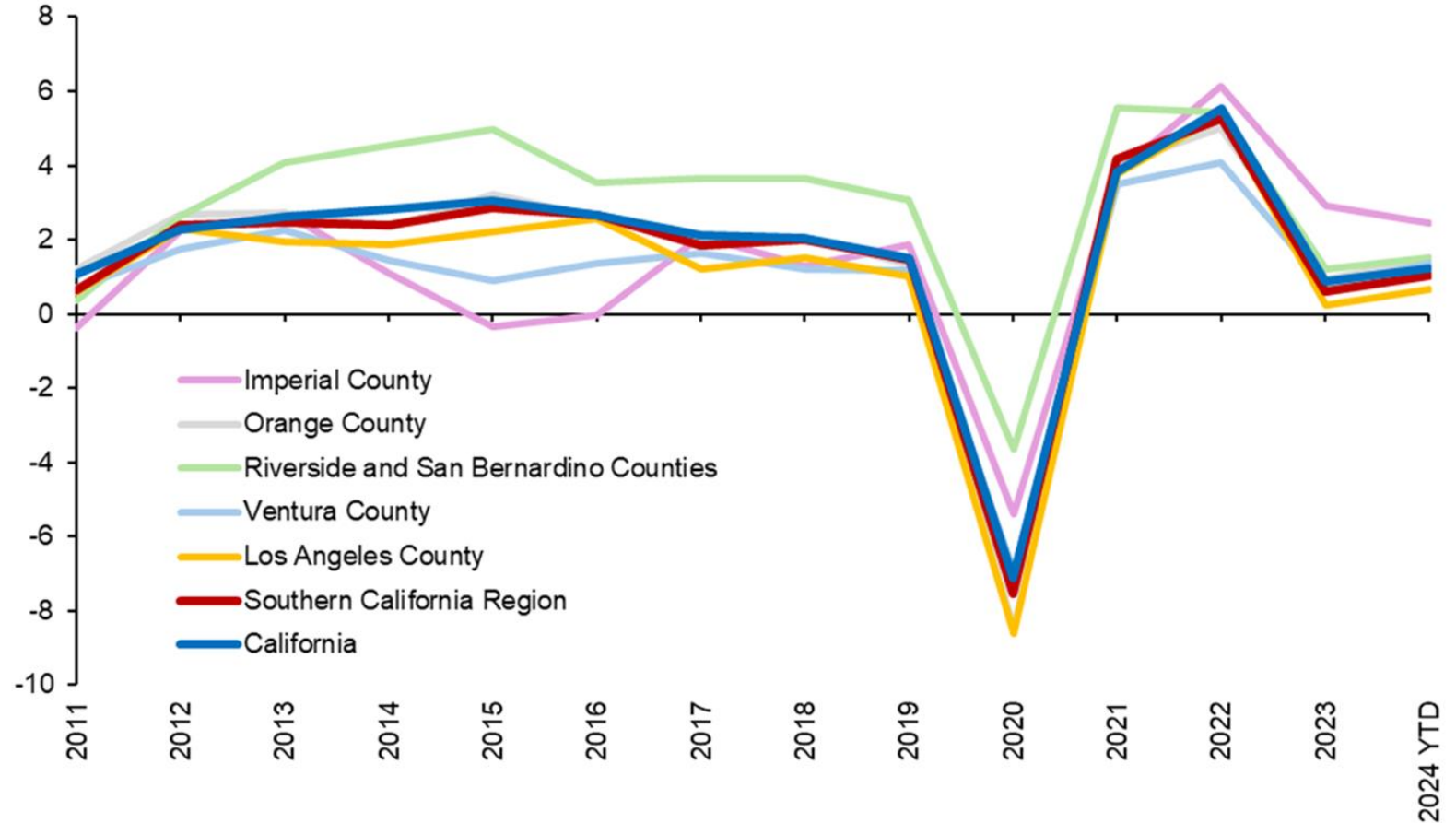


Source: U.S. Census Current Population Survey

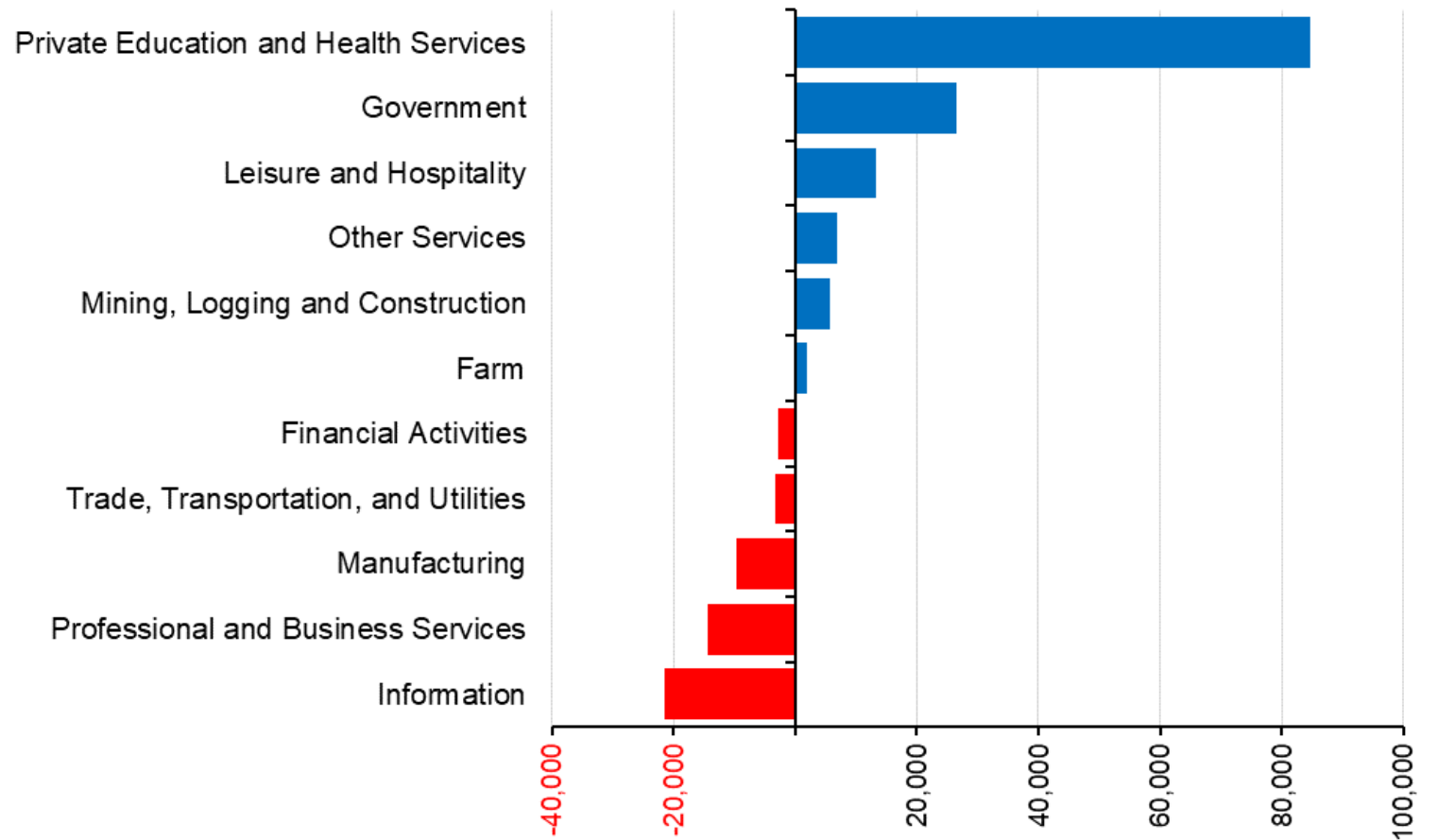


**SCAG Region
Nonfarm Growth
Generally in line with
California in 2024**

Year-over-year Growth in Total Nonfarm Payroll Employment
(Non-seasonally Adjusted Data, in Percent)



Year-over-year Payroll Employment Gain by Industry in SCAG Region



Note: Chart shows non-seasonally adjusted data, average year-over-year job gain through July-24.
Source: California Employment Development Department.





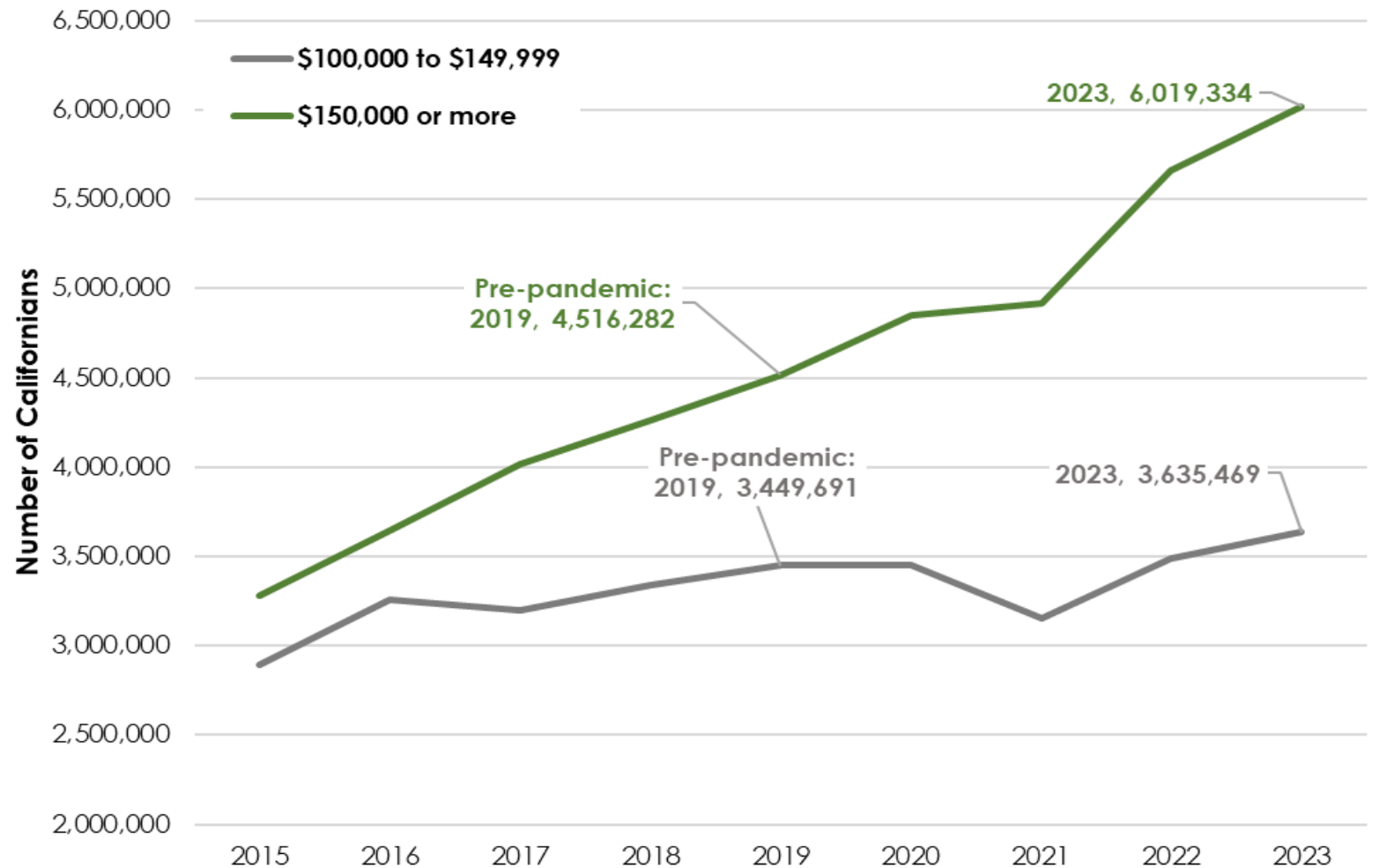
**HIGH-INCOME EARNERS DRIVE CALIFORNIA
ECONOMY**

Growing Household Incomes of \$150k+

- Californians with household earnings of more than \$150k per year continue to rise
- In 2015, Californians in households that made \$100k or more accounted for 32.6 percent of the labor force and now 50.1 percent of the labor force in 2023



High-Income Groups in California

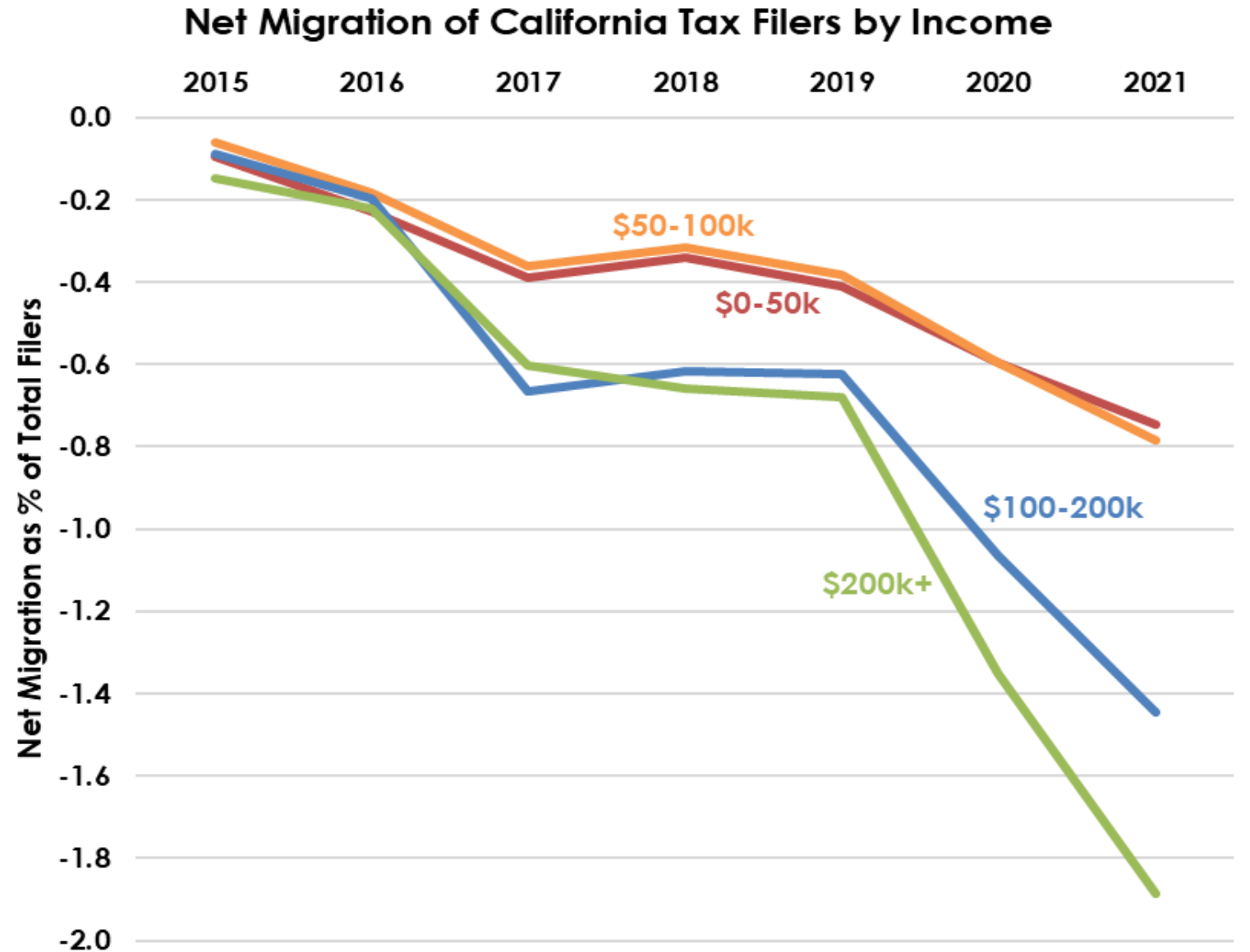


Note: Californians not in the labor force or under the age of 16 are excluded.
Source: U.S. Census Current Population Survey



Less Outmigration of Lower Earners

- ❑ Since 2017, the state has lost proportionately more high earners than low earners on net
- ❑ High-middle earners saw nearly as much deterioration after 2019 as high earners
- ❑ Essentially no difference between the lowest earners and low-middle earners



Source: Internal Revenue Service (IRS)



Economic Considerations Regarding High-Income Earners



CALIFORNIA REPUBLIC

- ❑ Significant to state budget
- ❑ Income fluctuates dramatically from year to year due to capital gains and irregular wage payments such as bonuses and stock options
- ❑ California's steeply progressive income tax makes state revenue especially dependent on its highest paid residents
- ❑ Concern over workers leaving the state due to high living costs and spread of remote work
- ❑ Economic stagnation worries
- ❑ SCAG Region/California is still an attractive location to live in and work in, especially for high-income earners





TAKEAWAYS

Navigating the New Growth Reality...



❖ Downsides

- ❑ High-income, educated workers leaving SCAG region and state
- ❑ Creates a revenue dependency on a smaller share of working individuals/economic stagnation
- ❑ Larger share of aging population may strain resources

❖ Upsides

- ❑ Growing educational attainment in California has positive impacts on future wages/standard of living
- ❑ Immigrants continue to drive labor force growth, particularly educated immigrants
- ❑ Changing economic landscape (i.e. experiential retail)
- ❑ SCAG region and California continues to be a desirable place to live despite a higher cost of living





LONG-RUN COUNTY-LEVEL FORECAST COMING IN 2025 IN PARTNERSHIP WITH THE CALIFORNIA DEPARTMENT OF TRANSPORTATION

Thank You!

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2024 SOUTHERN CALIFORNIA DEMOGRAPHIC WORKSHOP

NAVIGATING THE NEW GROWTH REALITY



scag.ca.gov/demographics



WHY DO WE STILL NEED HOUSING GROWTH WHEN POPULATION GROWTH IS SO LOW?

Dowell Myers

Professor of Policy, Planning, and Demography
Director, Population Dynamics Research Group

USC Price

Sol Price School of Public Policy

Presentation at
2024 SCAG-USC Demographic Workshop
September 24, 2024

Presentation prepared for:

2024 SCAG-USC Southern California Demographic Workshop

Co-Author:

Alycia Cheng, Ph.D. Candidate, USC Sol Price School of Public Policy

Research support is acknowledged from:

- Center for California Real Estate (CCRE) of the California Association of Realtors
- Southern California Association of Governments
- USC Sol Price School of Public Policy

Questions

1. How does population growth get converted into growth of occupied housing units (household growth)?
2. Is low construction a constraint on household growth?
3. How much is the California exodus accelerating for renters and owners departing for other states?

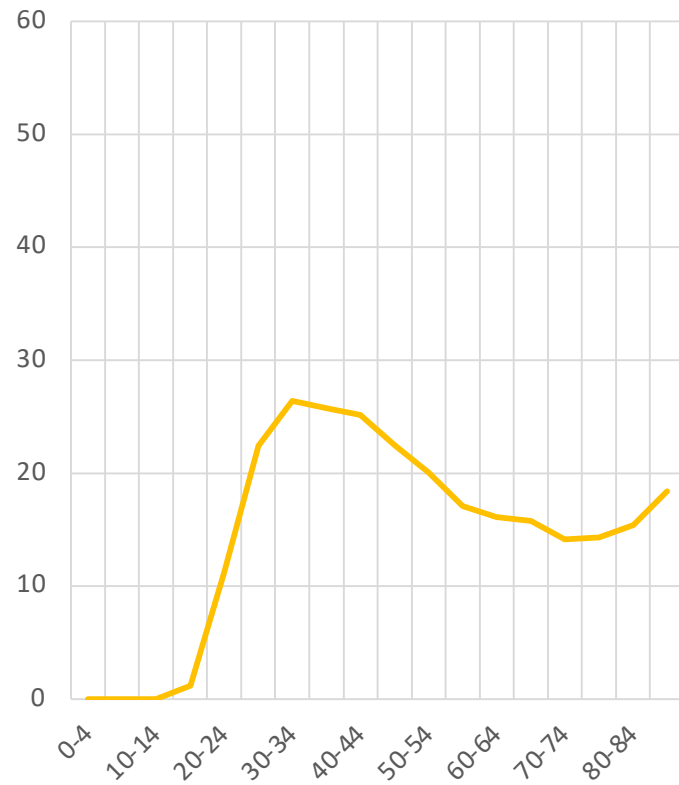
How much household growth has occurred?

Converting population into households with headship rates:

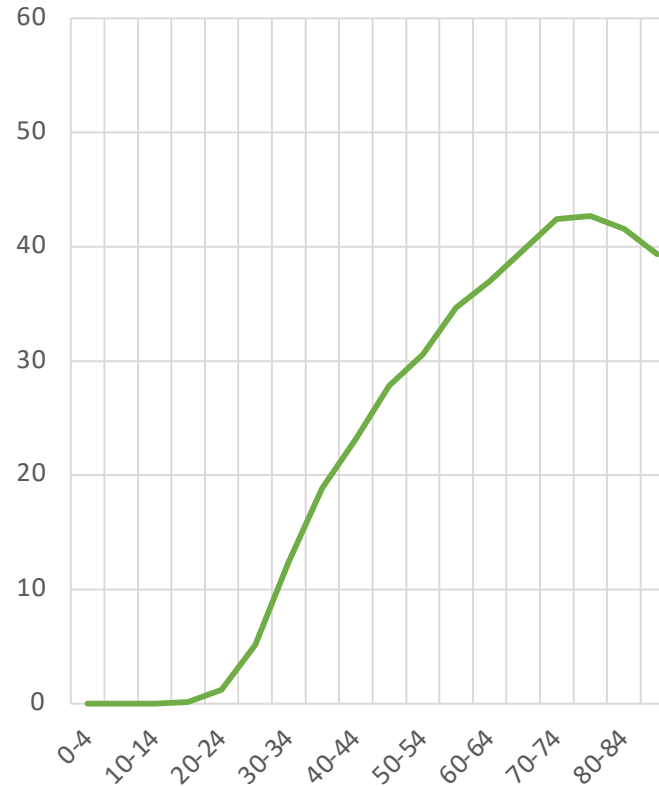
- In a household, there is designated only ***one key reference person*** whose name is on the lease or mortgage
- Headship rates measure ***household formation*** as the proportion of individuals in an age group who are the key household reference person
- The numerator measures the number of households headed by individuals of a group and the denominator is all population members of the groups, so we can measure ***households per 100 persons by age group***

Lifecycle Rates of Housing Demand in California, 2018 ACS

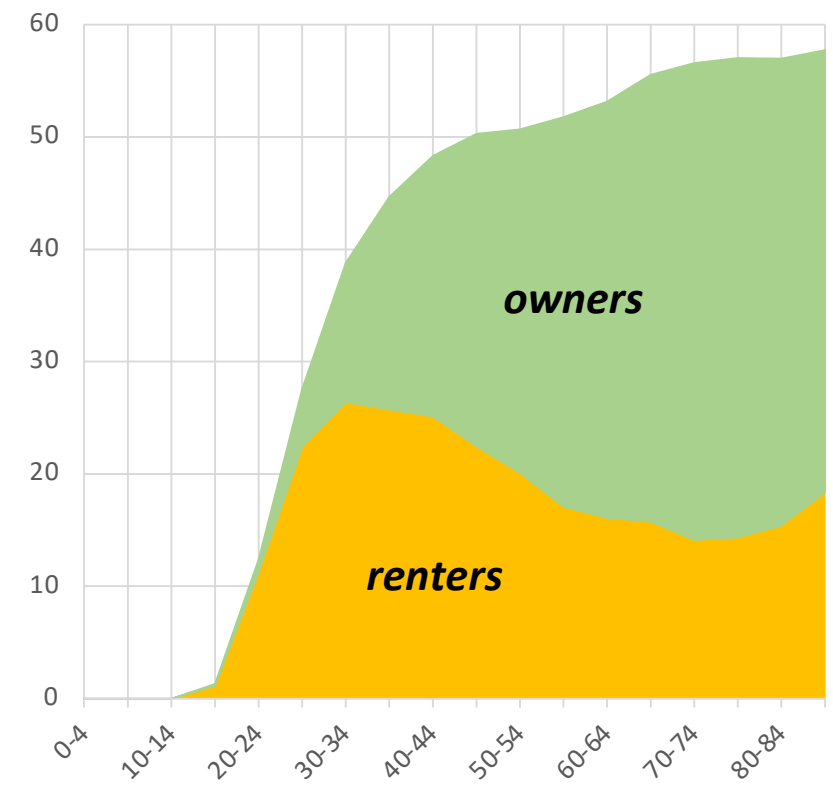
Renters per 100 People of each age



Owners per 100 People of each age



Total Households per 100 people of each age



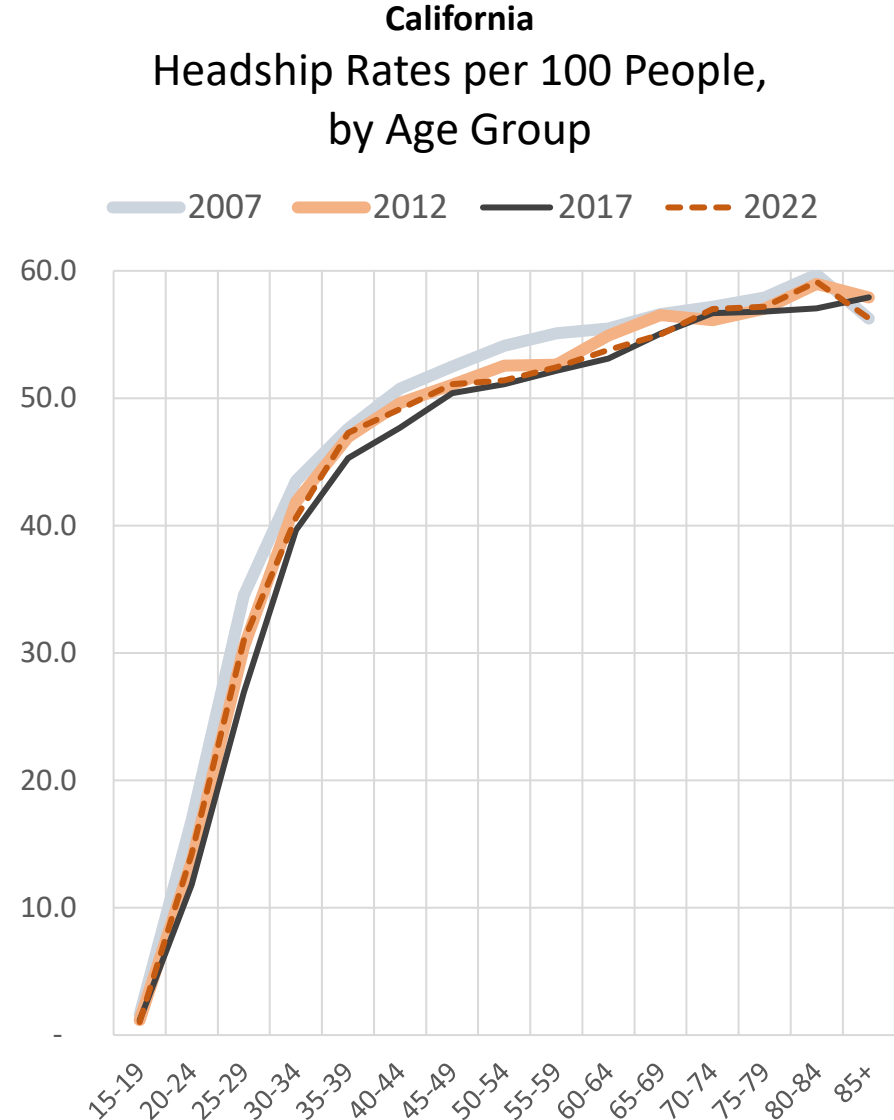
Source: Dowell Myers, "Who Can Call California Home?" Center for California Real Estate, California Association of Realtors

Changes in Headship

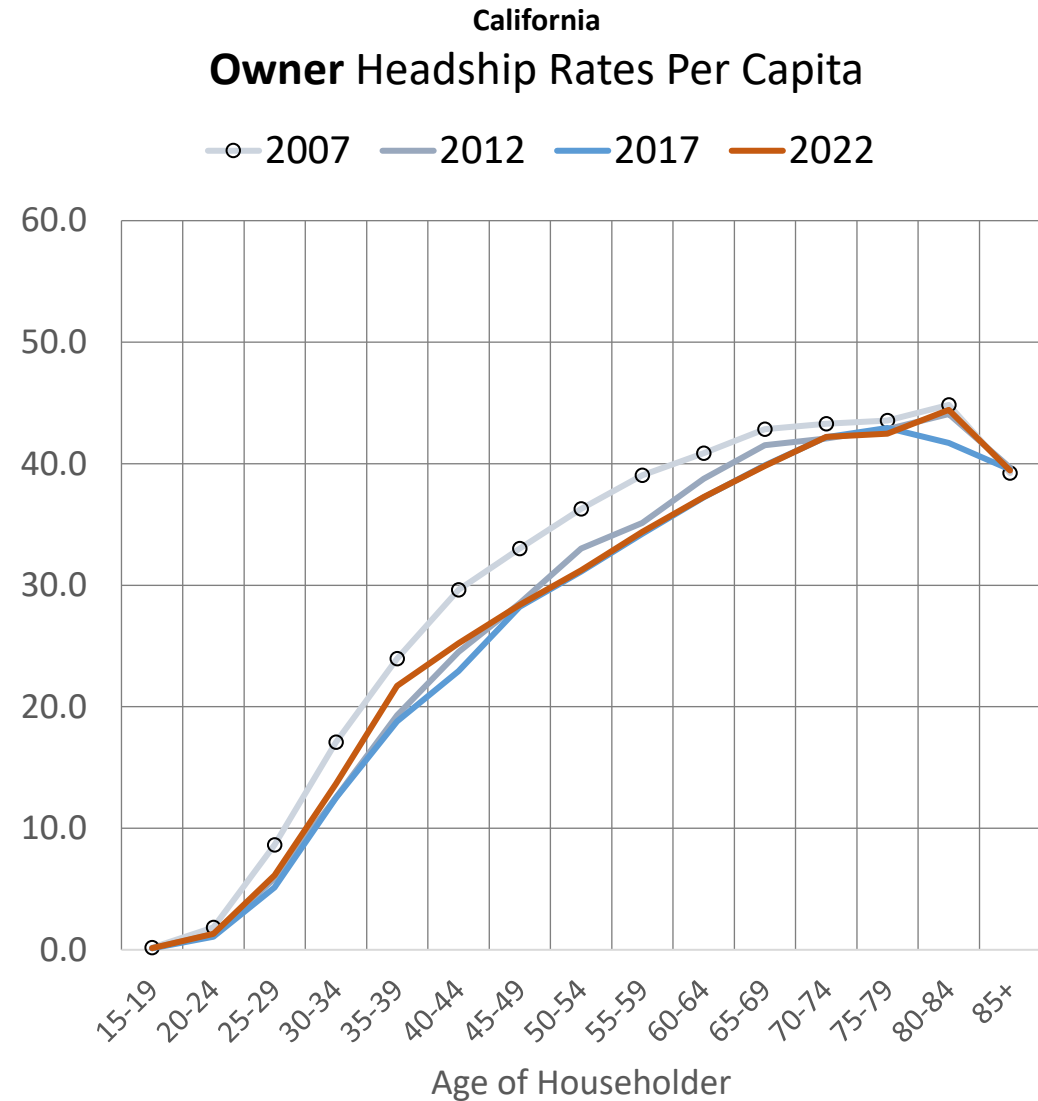
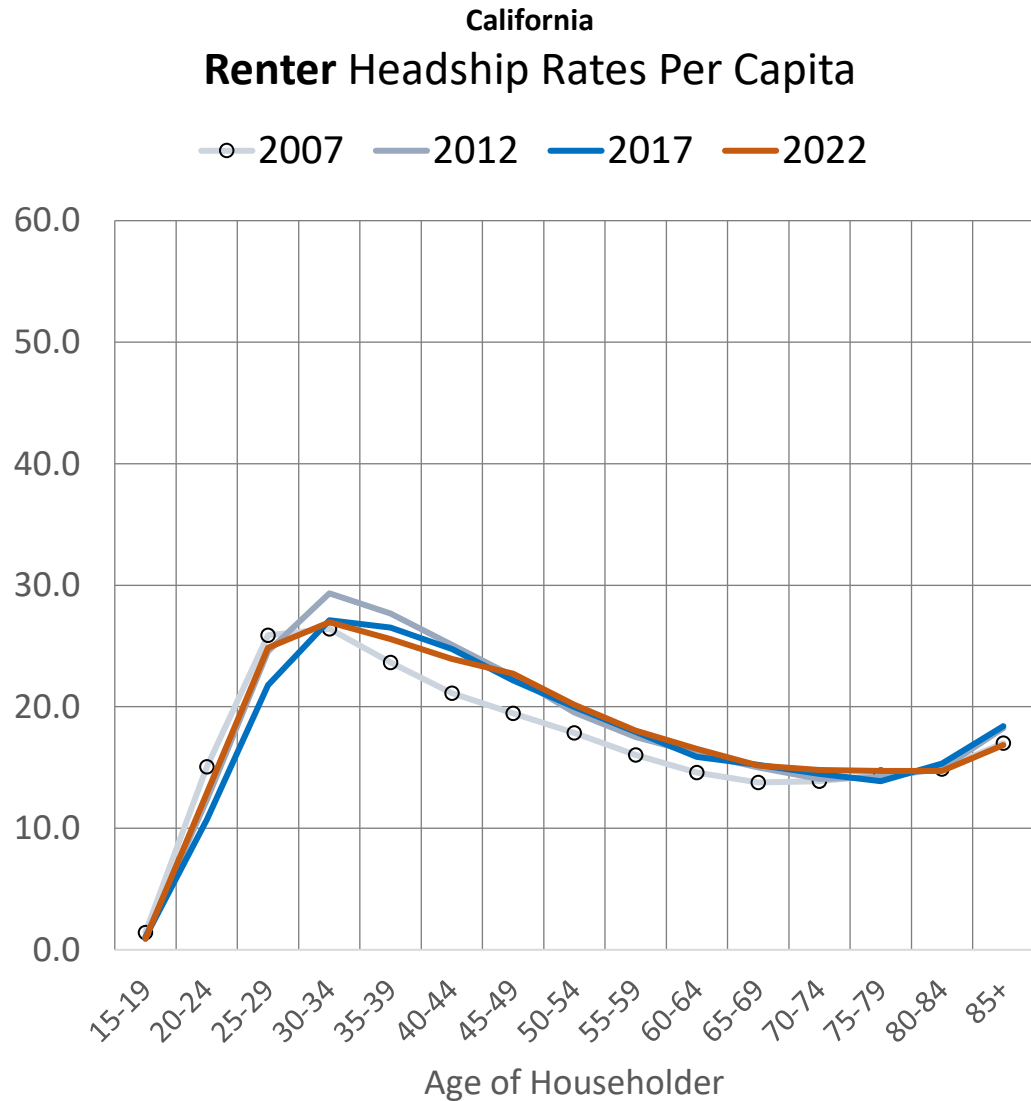
American Community Survey (ACS) data from the Census Bureau allow us to estimate household formation each year in a ***very volatile period of history***:

- Boom of mid 2000s
- Recession of 2008 to 2012 (effectively)
- Recovery of the late 2010s
- Pandemic effects of 2020 to 2022

Source: Alycia Cheng and Dowell Myers, USC Price; American Community Survey Public Use Microdata Sample (ACS PUMS) through IPUMS USA



Lifecycle Rates of Housing Demand in Boom, Bust, and Recovery



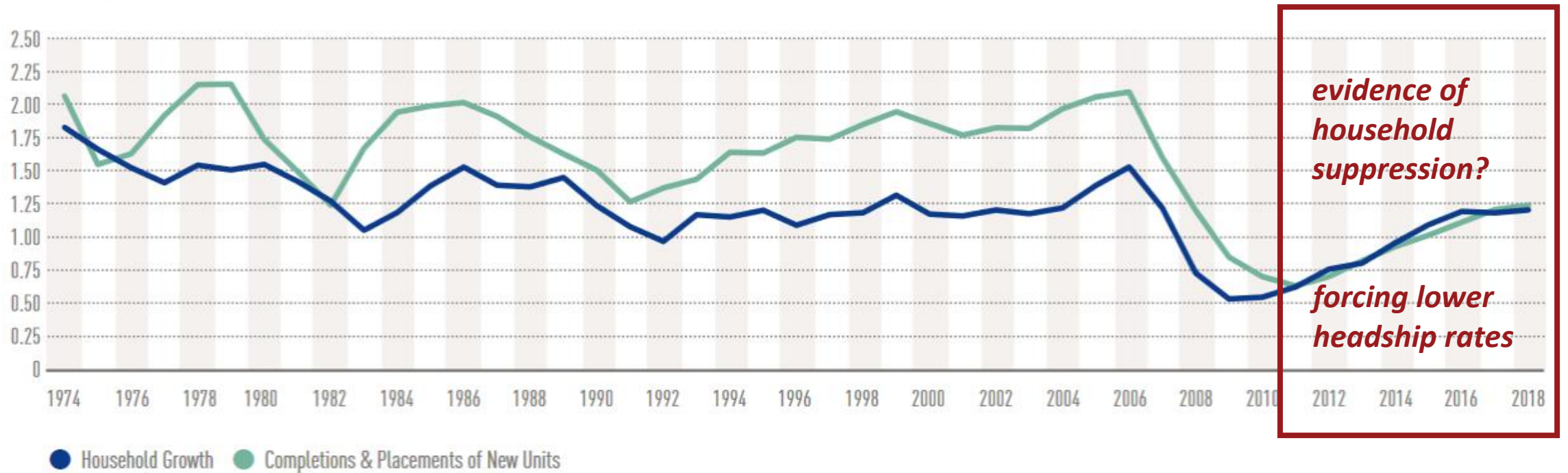
Source: Dowell Myers, USC Price; ACS PUMS

Construction Failing to Keep Up with Growth

Per the Joint Center for Housing Studies of Harvard University

Housing Construction Has Barely Kept Pace with Household Growth for an Unprecedented Eight Years

Units (Millions)

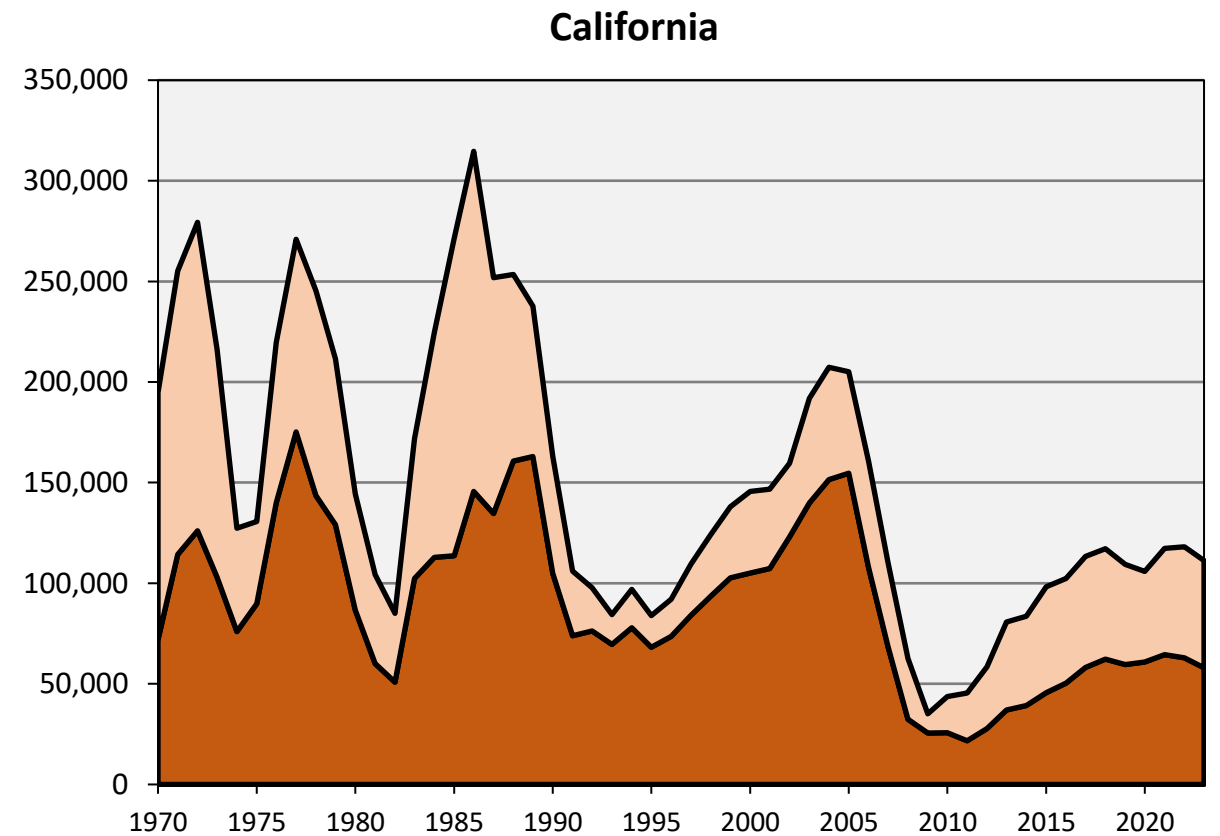
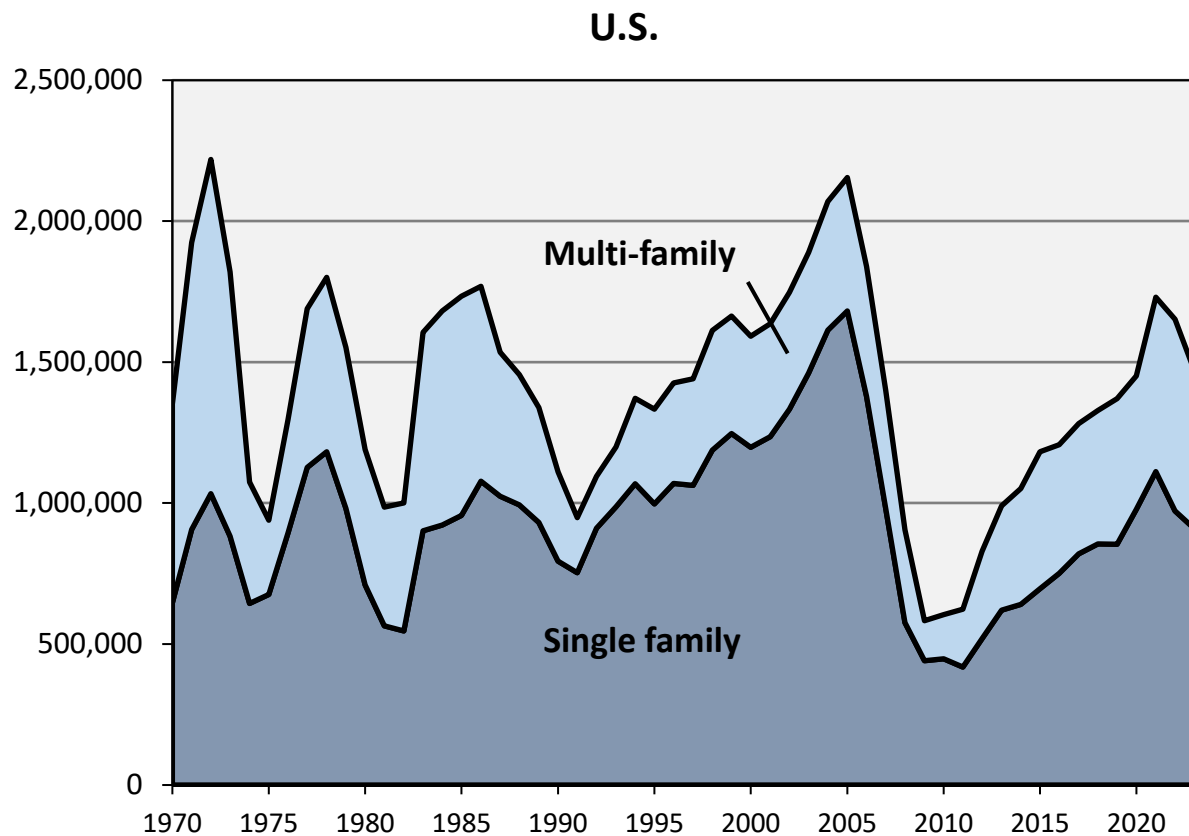


Notes: Household growth estimates are based on three-year trailing averages. Placements refer to newly built mobile homes placed for residential use.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys and New Residential Construction data.

Source: Joint Center for Housing Studies of Harvard "The State of the Nation's Housing 2019"

Overly Low Construction Could Suppress Desired Household Formation Rates

Yearly Permits from 1970 to 2023



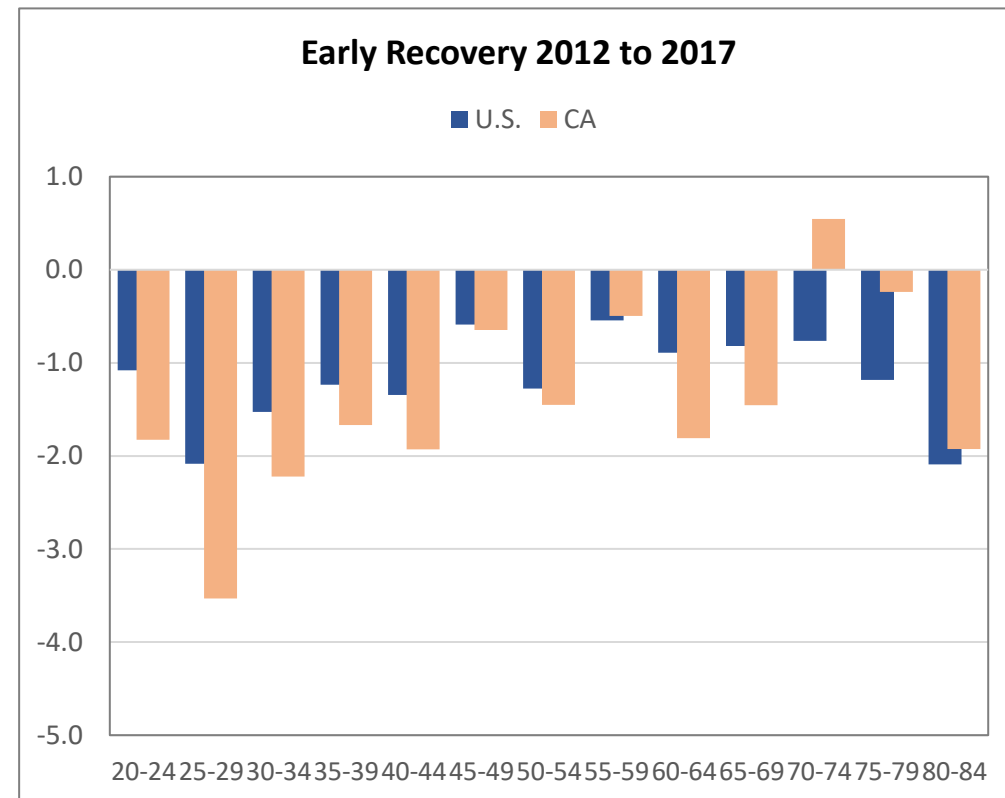
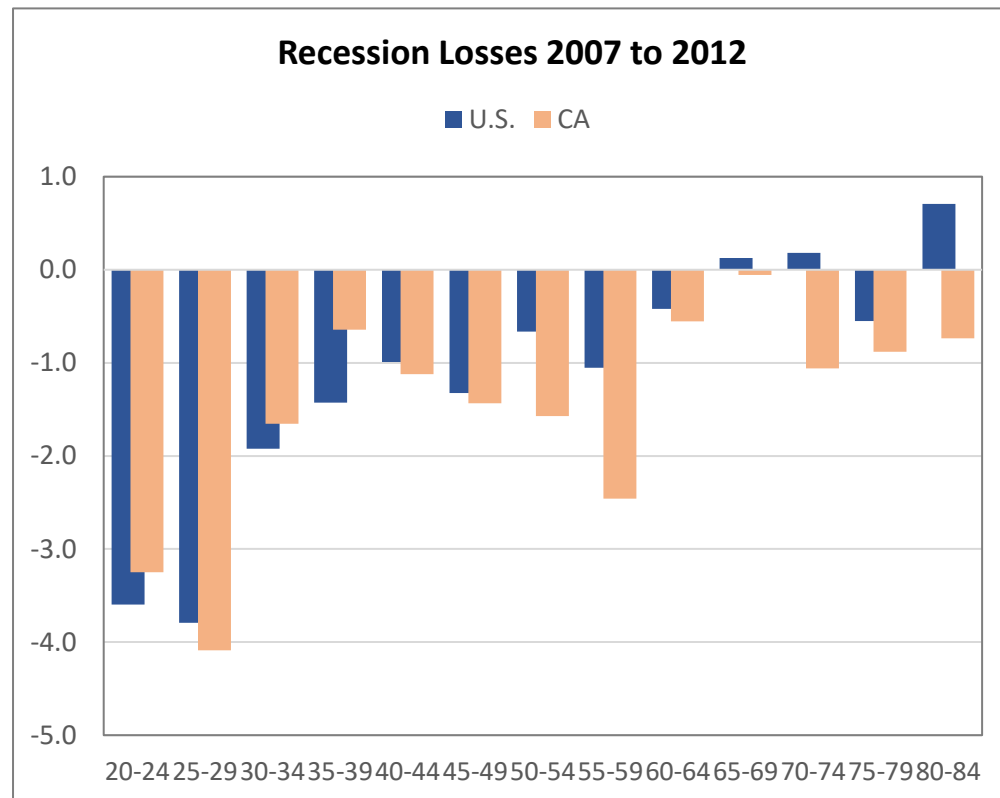
If not enough housing growth in the U.S., is California surely even worse?

Compare the decline in household formation between California and the U.S.
Focus on the Great Recession and subsequent recovery years

California Falls Behind the U.S. in Fulfilling Housing Needs

Declines in percentage household formation in California > U.S.

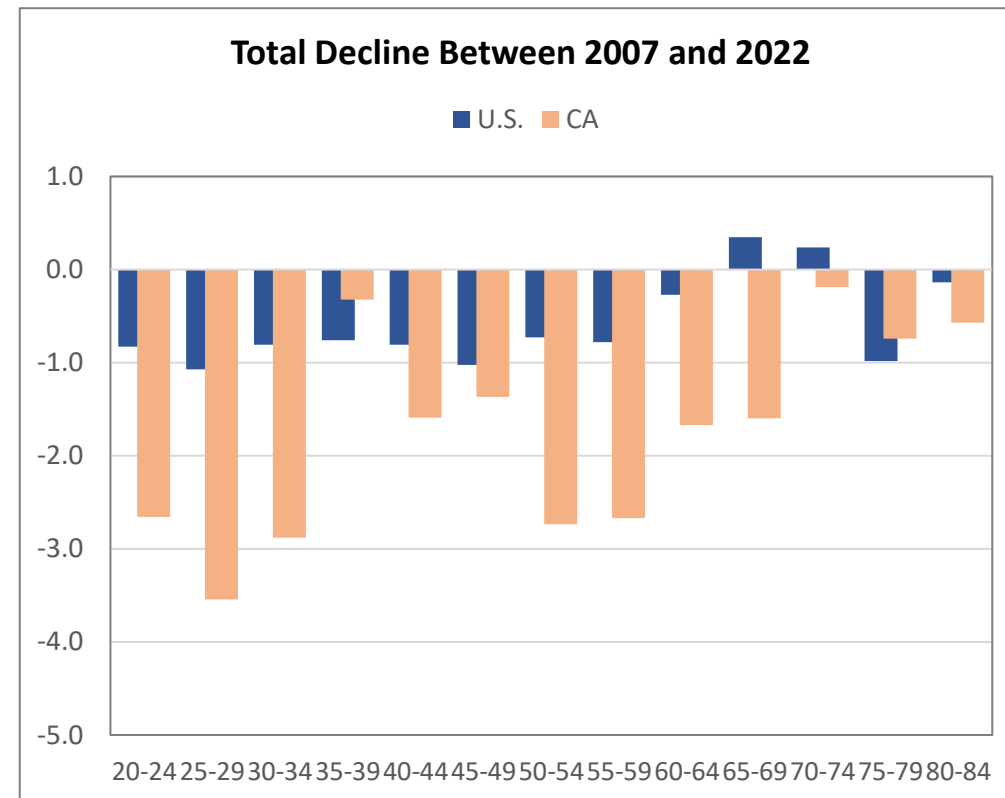
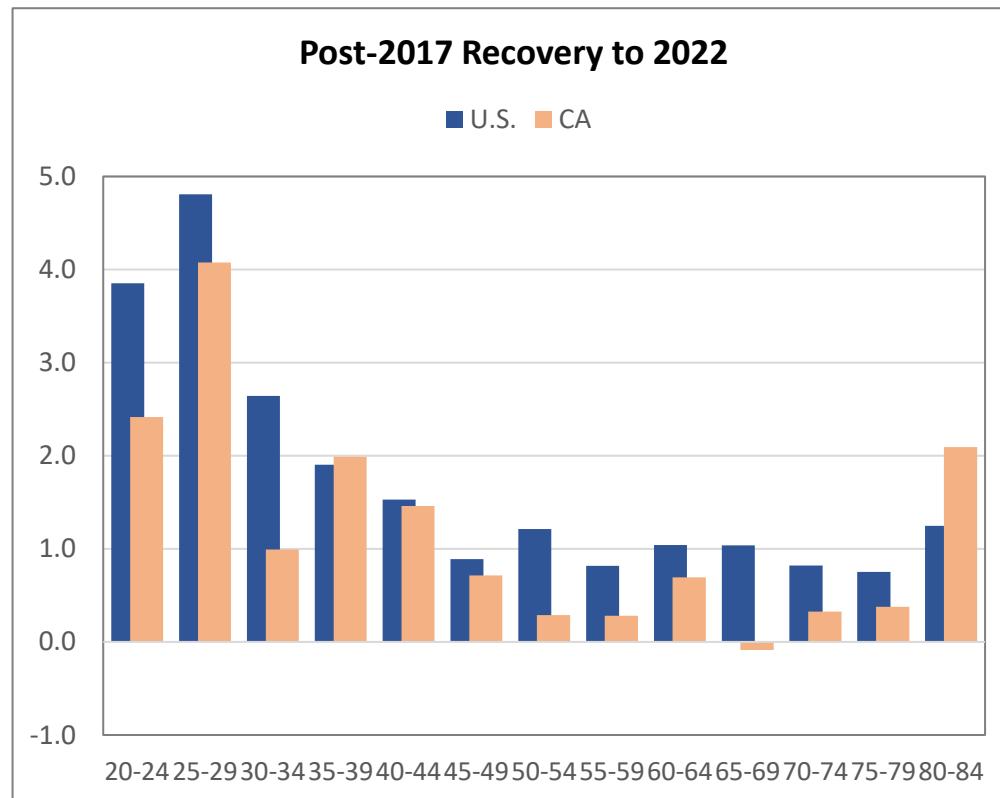
- First, in the Great Recession
- Then, ***continuing decline in the early recovery period***



California Falls Behind the U.S. in Fulfilling Housing Needs

The eventual housing rebound post-2017 was weaker than the U.S.

- Net result is a **total decline in California that is triple** that of the U.S.
- Among both young adults and late-middle age and senior Californians



Exodus from California is one way to relieve excess demand—How much is it increasing?

TWO MEASURES

Attrition of Cohorts as they Grow 5 Years Older:

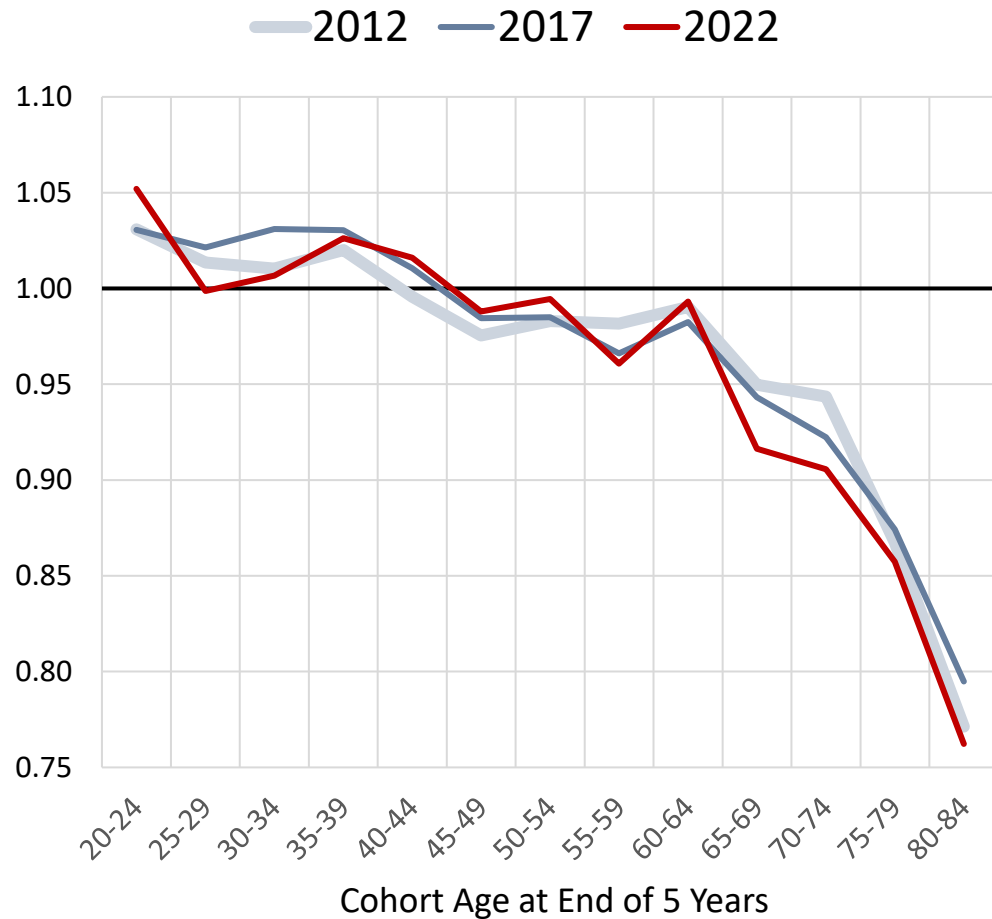
- As we follow a cohort forward in time, does the relative size of that cohort increase (> 1.00) or decrease (< 1.00)?
- How do the ratios change over time -- in **recession**, **recovery**, and **pandemic**?
- How do the California ratios compare to the U.S. as a whole?

Annual Net Migration of Households Out of California:

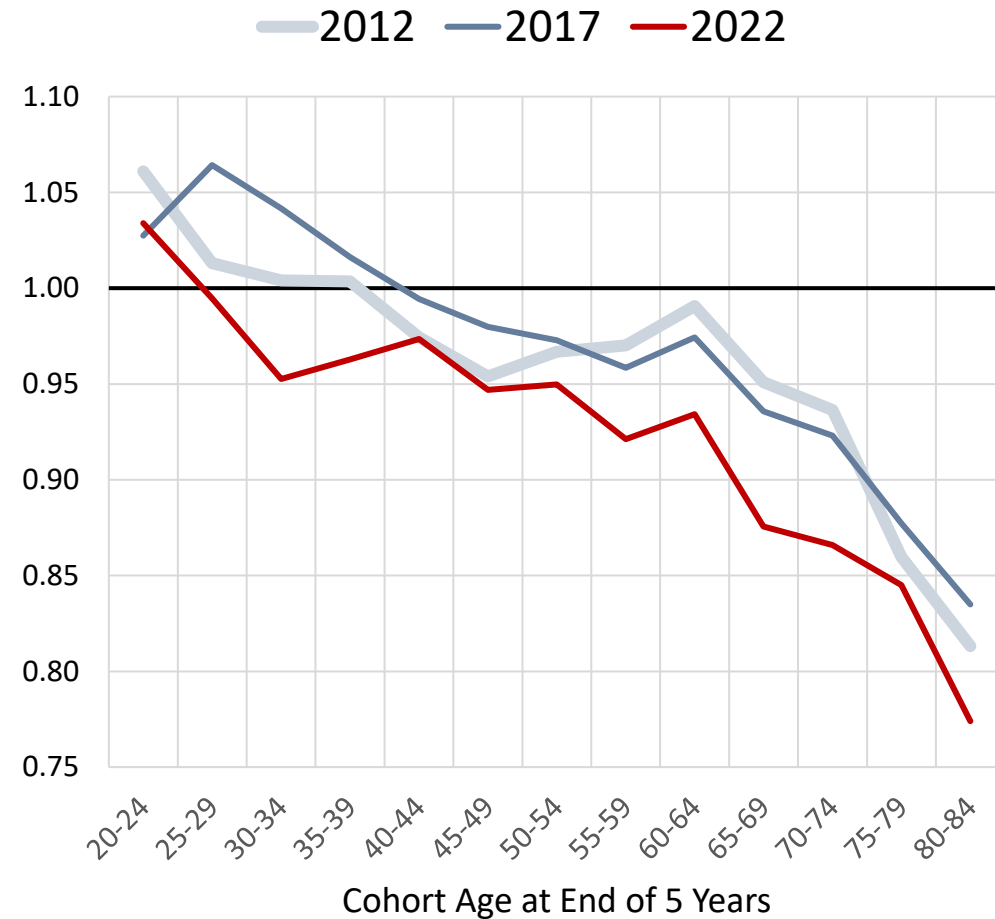
- Arrivals from out-of-state **less** than out-movers each year
- How does this vary from 2006 to 2022? Are all ages participating?
- What is the difference between renters and owners?

Cohort Attrition: Growth or Shrinkage (<1.0) over 5 Years

U.S. Cohort 5-Year Attrition Ratios

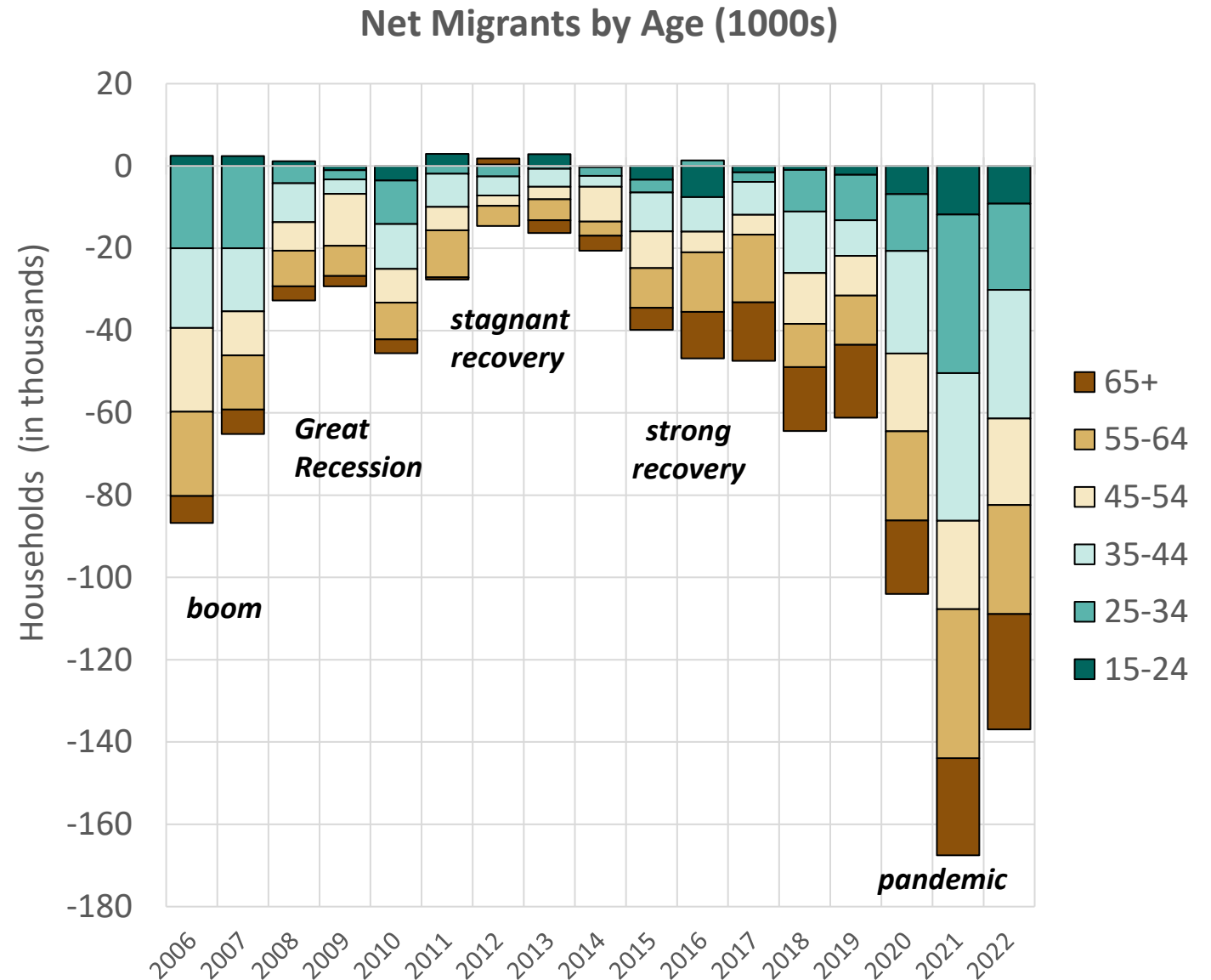


CA Cohort 5-Year Attrition Ratios

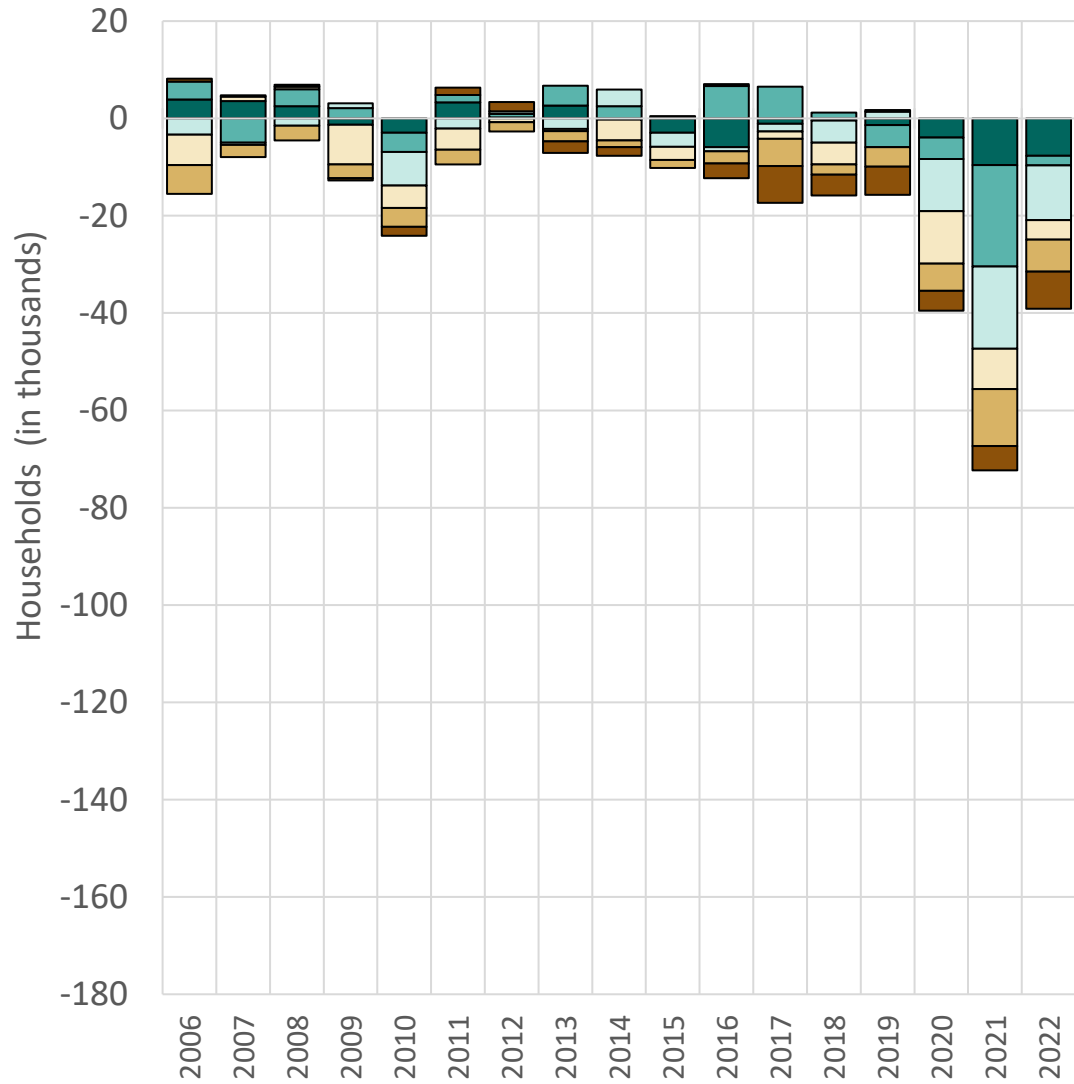


Annual California Net Household Migration

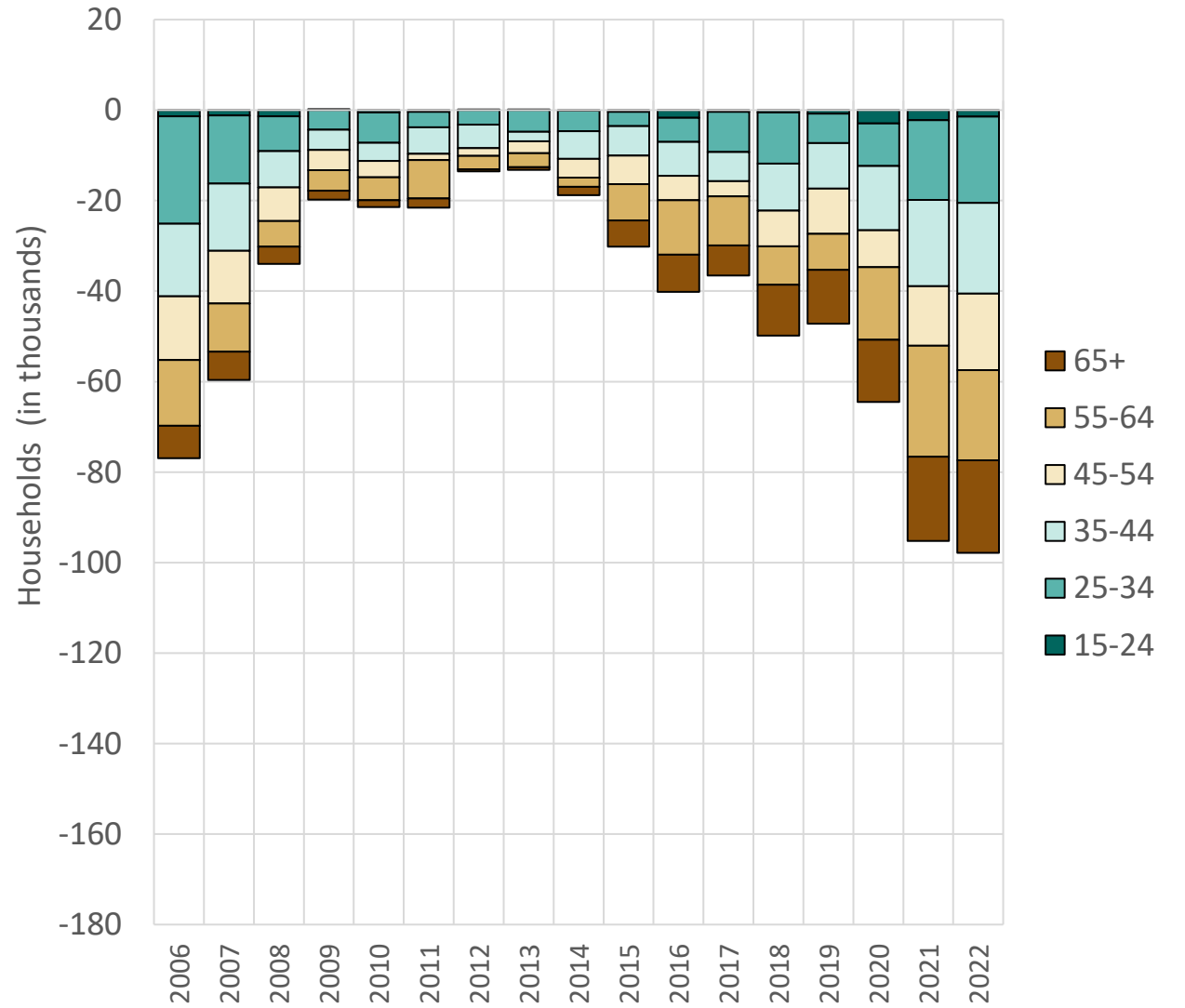
- Arrivals each year from out-of-state are less than out-movers to other states
- How does this vary from 2006 to 2022? All ages participating?
- What is the difference between renters and owners?



Renter Net Movers by Age



Owner Net Movers by Age



Thank you

For latest research on housing and demographics:
<https://sites.usc.edu/popdynamics/housing>

Dowell Myers

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Sol Price School of Public Policy