

California's Aging Population: Not Forever Young

Adele Hayutin, June 14, 2012

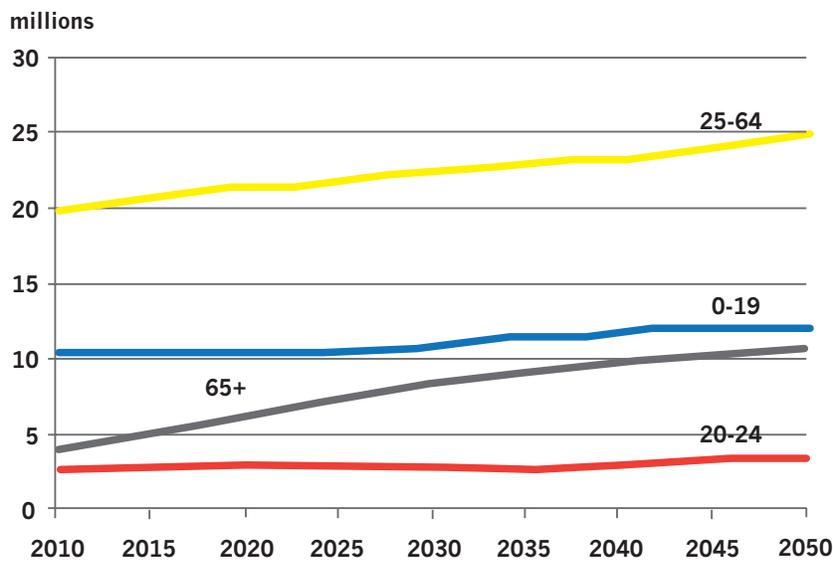
CALIFORNIA IS PROJECTED TO AGE FASTER THAN THE NATION

Currently the sixth youngest state, California will soon begin aging faster than the nation. According to the State's recently released Interim Population Projections, the number of old people in California, those age 65 and older, will double over the next twenty years from 4.3 million in 2010 to 8.4 million in 2030. This will occur as the huge baby boomer cohort—the population born from 1946 to 1964—passes age 65. As the baby boomers turn 65, the share of old people will increase from 11% in 2010 to 19% by 2030. This steepness of this increase reflects a dramatic shift in the overall age structure.

Figure 1

California's older population will double over the next 20 years

Projected Population by Age



Data Source: California Department of Finance 2012*

Analysis: Stanford Center on Longevity

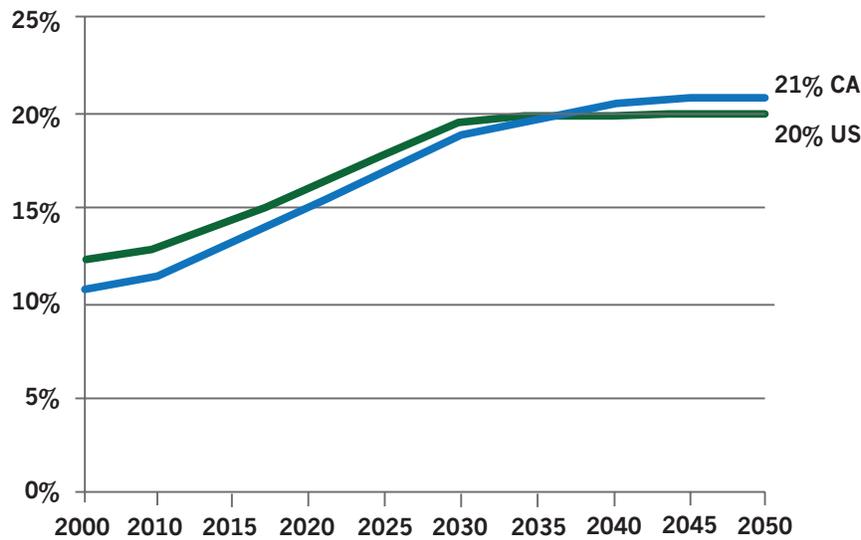
In contrast to California's doubling in twenty years, the nationwide population age 65+ will take almost thirty years to double, growing from 40 million in 2010 to 81 million in 2040 with the share increasing from 13% in 2010 to 20% by 2040.

California is currently younger than the nation, with only 11% of its population age 65+ compared with 13% nationally. But with the aging of its disproportionately large baby boom cohort, California will catch up and surpass the national level of aging by 2040. According to the most recent projections, beginning in 2040 California's population will be slightly older than the nation's.

Figure 2

California will catch up and surpass the US in share of old people

Population Age 65+ as % of Total, US and California



Data Sources: California Department of Finance 2012; U.S. Census Bureau 2008*

Analysis: Stanford Center on Longevity

WORKING-AGE POPULATION STILL GROWING

California's working-age population, age 25-64, is projected to increase by 2.6 million over the next twenty years, from 19.8 million in 2010 to 22.4 million in 2030. This 13% increase is smaller than the projected overall statewide population increase of 19%, and as a result, the working-age share of total population will decrease slightly from 53% in 2010 to 50% 2030.

Notably, the working-age population is itself aging. The older age brackets are projected to make up an increasingly larger share of the total workforce. In 2000, the older working-age brackets, age 45-64, represented just 39% of the total working-age population, but by 2050 will represent nearly half. Conversely, in 2000, when the working-age population was younger, the younger brackets represented 60% of the total working-age population, a share projected to decline to 50% by 2050.

YOUNG POPULATION: LITTLE GROWTH EXPECTED OVER NEXT TWO DECADES

California's young population, those under age 19, increased by less than 2% over the past decade, a surprising development in a state portrayed as "forever young." More startling is the 2% decline projected over the next ten years. Slow growth is expected to return in 2025. The share of young people, which had been 30% in 2000, will stabilize around 25%, further reflecting the population shift toward older brackets.

The population age 20-24 is projected to increase only slightly from 2.8 million in 2010 to 2.9 million in 2030 with its share projected to decline slightly from 7% to 6%. This small category is separated out to highlight the number of potential new workers who are about to join the larger working-age population and who might be seeking education and training opportunities.

MODERATE GROWTH PROJECTED FOR THE TOTAL POPULATION

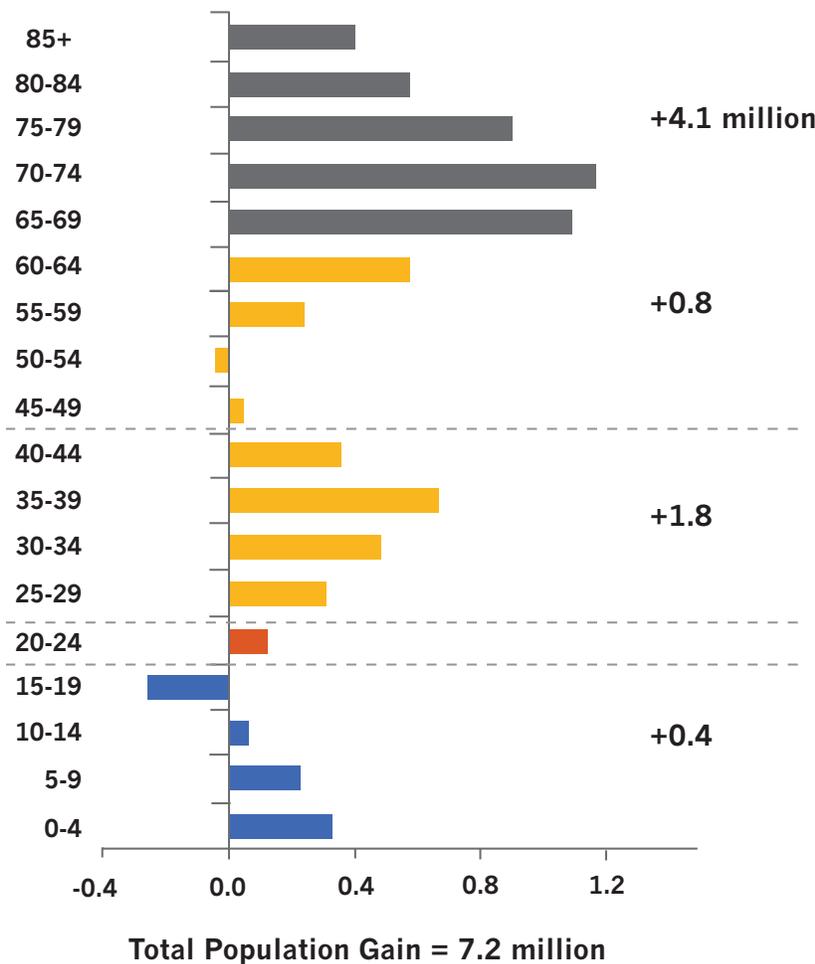
The California Department of Finance projects moderate population growth of less than 10% per decade statewide over the next four decades. This continues the moderate 10% growth of the last decade, but is down sharply from much faster growth during prior decades. The last decade marked the first time in recent history that California's population growth did not exceed the national rate and thus the first time California did not gain Congressional seats. Population growth over the next few decades is projected to slowly decrease from 9% in each of the next two decades to just 6% by 2050.

According to these projections, total population gains over the next forty years will average 3.4 million per decade, close to the 3.3 million gain over the past decade. Over the next two decades, the population is projected to grow by 7.3 million with most of the gain occurring in the older population as the baby boomers age into the over-65 brackets. As shown in Figure 3, growth in the population age 65+ is projected to total 4.1 million, accounting for more than half of the total projected increase. Gains in the working-age brackets will account for 2.6 million or 36% of total population growth.

Figure 3

Growth of the older population will account for more than half of the total projected gain

20-Year Change in Population by Age, 2010-30, in millions



Data Source: California Department of Finance 2012*

Analysis: Stanford Center on Longevity

CONCLUSIONS

The population age shifts projected for California underscore several important challenges:

- Doubling of the older population over the next twenty years means there is little time to prepare. Addressing the needs of California's aging population is increasingly urgent.
- Unexpectedly slow growth in the young population makes the population age shift even more challenging. Disproportionately slower growth in the young population means that the share of old people will increase more sharply than previously anticipated and the steepness of this projected increase in share is startling. The slower growth in young people and working-age people will result in fewer and fewer workers to support each old person through production, taxation, and caregiving. This slower growth stems both from lower birth rates and lower levels of immigration. The declining support ratio raises the urgency of preparing for an aging population. It also raises the urgency of addressing the role of immigration in maintaining our competitive advantage.
- The projection of continued, albeit slower, growth in the working-age population is positive news for economic growth, but the results will depend on whether the workforce is educated and trained to match the State's economic needs. Continued workforce growth distinguishes both California and the United States from other advanced economies, many of which, including Germany and Japan, face shrinking workforces and shrinking total populations. If educated and employed wisely, California's growing workforce can indeed be a competitive advantage that contributes to long-term economic growth.

*Note: The recently released 2012 Interim Population Projections from the California Department of Finance replace the State's 2007 projections; detailed population projections by age, race, ethnicity, and county are expected in early 2013. The latest available US Census Bureau population projections were completed in 2008; updated projections are expected in late 2012.

REFERENCES:

State of California, Department of Finance, *Interim Population Projections for California and Its Counties 2010-2050*, Sacramento, California, May 2012

U.S. Census Bureau, Population Division, *Projections of the Population and Components of Change for the United States: 2010 to 2050 (NP2008-T1)*, Washington, DC, August 2008

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