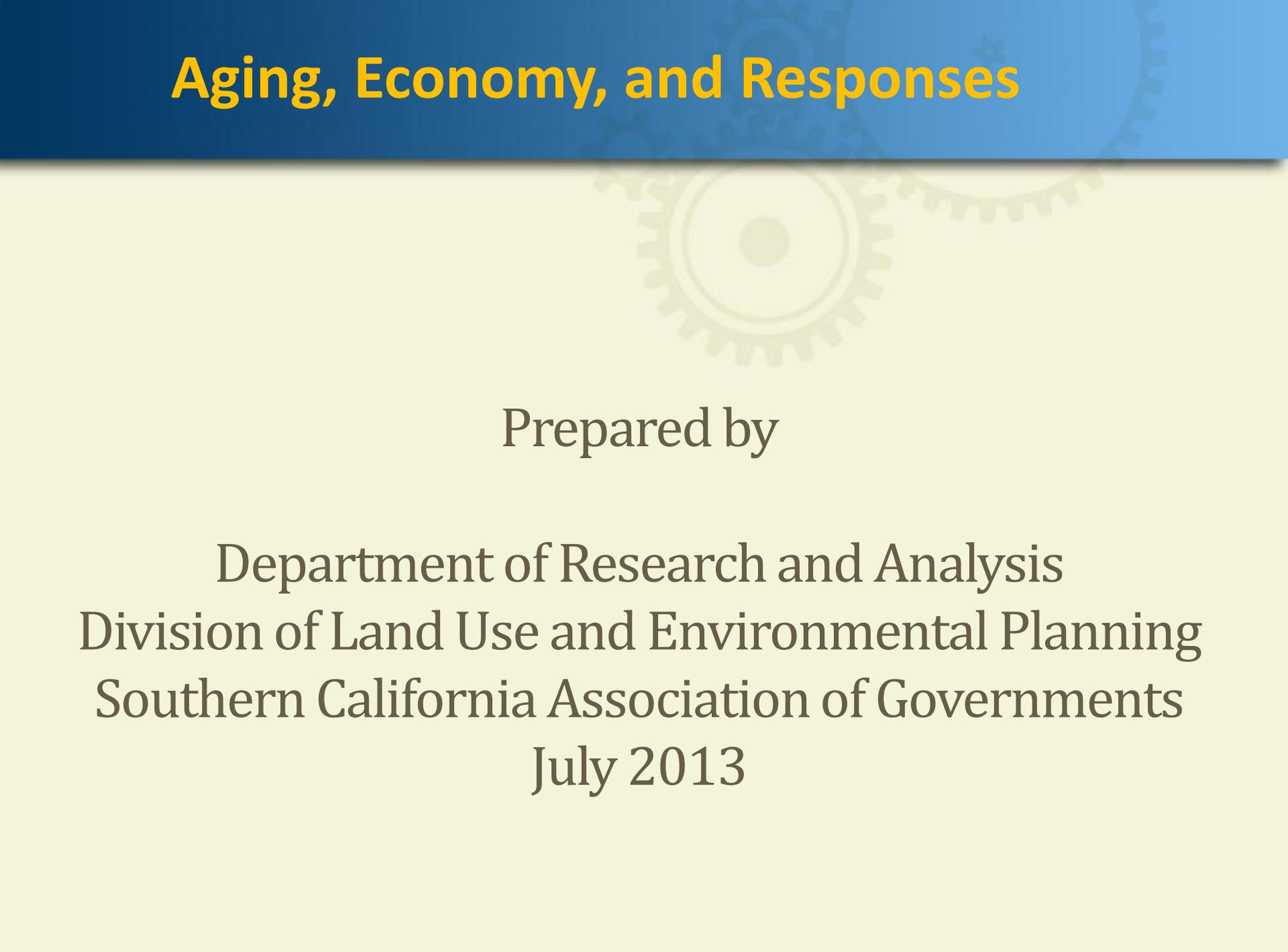


Aging, Economy, and Responses



Prepared by

Department of Research and Analysis
Division of Land Use and Environmental Planning
Southern California Association of Governments
July 2013

CSIS Global Aging Initiative

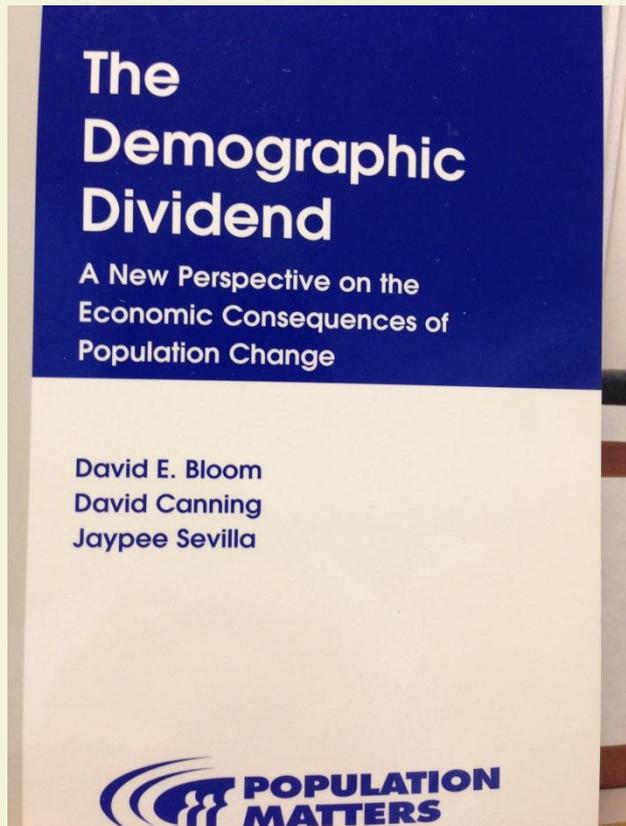
CSIS

CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

Richard Jackson
Director and Senior Fellow,
Global Aging Initiative



Headwind/Drag or Penalty Instead of “Dividend”



Labor force supply (size)—maturing of young population, with accompanying public policies

- Public health
- Family planning
- Education
- Economic policies

CA's 3 Demographic Revolutions

Dowell Myers

School of Policy, Planning,
and Development
University of Southern California

For more information
Google “popdynamics”

IMMIGRANTS and BOOMERS



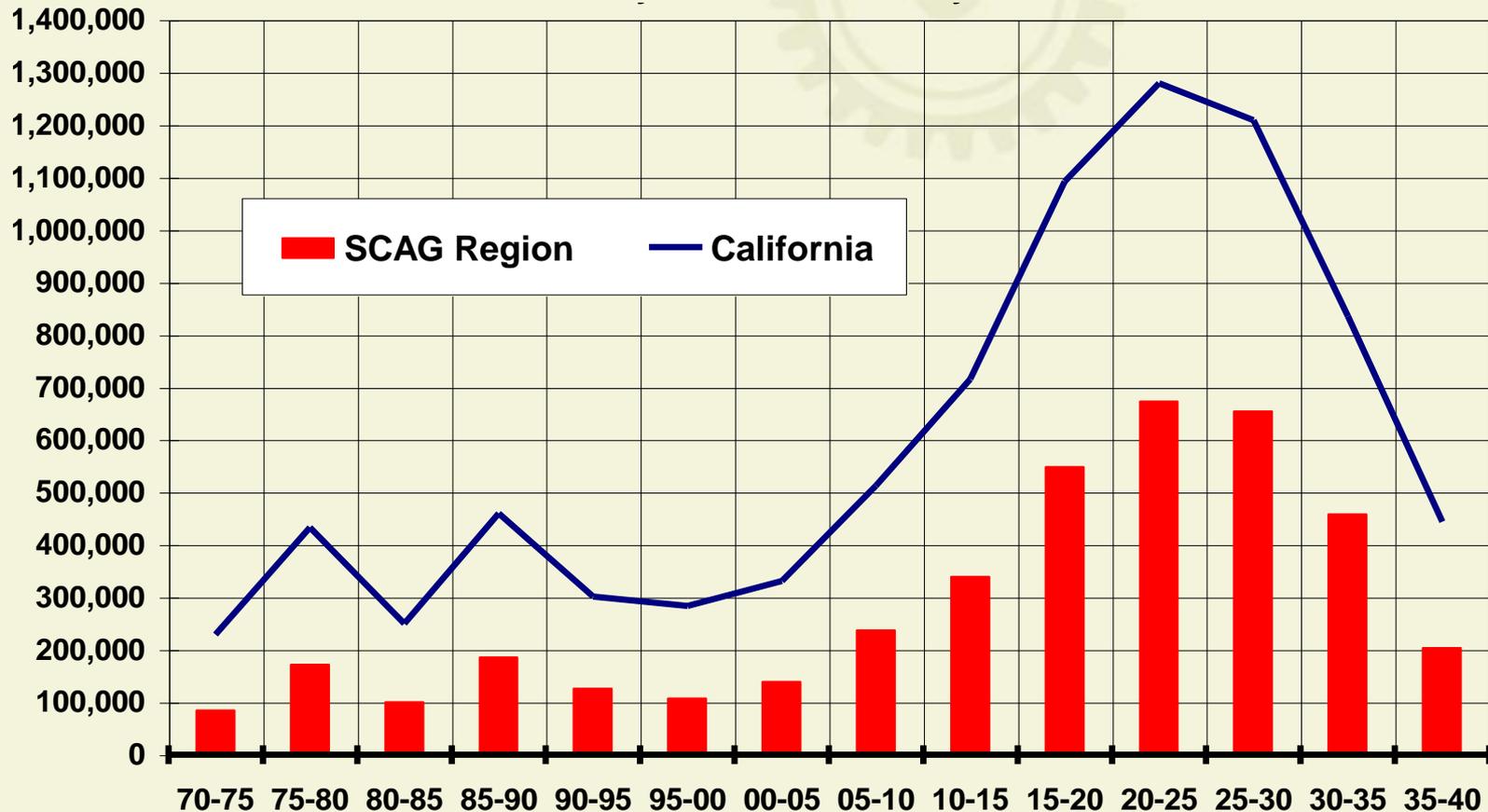
Forging a New Social Contract
for the Future of America

DOWELL MYERS

2007
Thomas & Znaniecki
Award

If Demography is Destiny...

Age 65+ Population Growing--Impact on: Workforce/Job/Economy, Health Care Services, Public/Private Finance

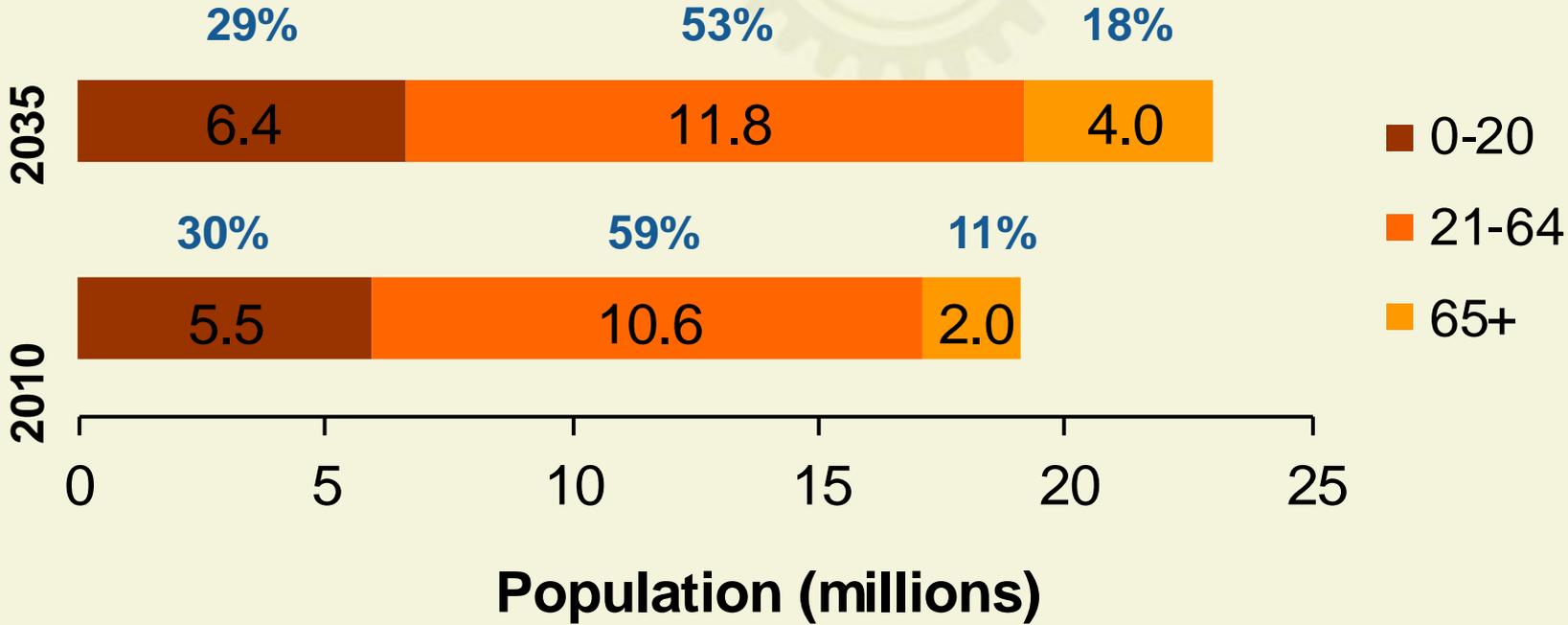


Source: State of California, Department of Finance, *Race/Ethnic Population with Age and Sex Detail, 1970-2040*. Sacramento, CA, December 1998.

Shift in Ages of the Population (2010 & 2035)

SCAG Region

Historic and Projected Population By Age Group



Source: US Census Bureau, SCAG

Demographic Headwinds: Challenges and Implications

1. Present population growth by age cohorts
2. Who are baby boomers?
3. Socioeconomic behaviors associated with age cohorts
 - Labor force participation
 - Housing preferences/choice
 - Income, expenditures
 - Taxes paid
 - Government services
 - Transportation
4. Simulations:
 - Projected labor force and Job growth
 - Projected impacts on income/expenditures/taxes
5. Alternative viewpoints (New Demographics?)
6. Strategies/solutions
 - Innovation/productivity
 - Market responses
 - Institutional/legislature
 - Traditional fiscal stimulus/monetary policies-POMO (Permanent Open Market Operation)
 - Immigration/Foreign direct investment
7. The Aging Population Initiative–The Longevity Economy: How to prepare for the Aging? The best cities for successful aging
8. The Governance

Aging and the Macroeconomy: Long-Term Implications of an Older Population

Aging and the Macroeconomy: Long-Term Implications of an Older Population

**Committee on the Long-Run Macro-Economic Effects
of the Aging U.S. Population**

**Study requested by US Congress; funded by US
Treasury and NIA**

**Briefing
Co-Chair Ronald Lee**

November 7, 2012

Aging and the Macroeconomy: Long-Term Implications of an Older Population

8. What Does It All Mean?

- We must adjust to changing demographic realities:
 - Lower birth rates
 - Slower labor force growth
 - Longer lives
- There are four possibilities (can be mixed) with different implications for different ages and generations
 - Save more and consume less
 - Pay higher taxes and consume less
 - Reduce benefits (and consumption) for elderly
 - Work longer and retire later

Aging and the Macroeconomy: Long-Term Implications of an Older Population

Basic questions

- How should we allocate costs of population aging across these four options and across ages and generations?
- How soon should we make these changes? The longer we wait, the bigger the “legacy liability” we pass on to younger generations.
- The longer we wait, the harder it is for people and firms to plan their finances.

Alternative View Point: Growing Debate About Dwindling Innovation

**Will we ever
invent anything this useful
again?**



Alamy/Shutterstock

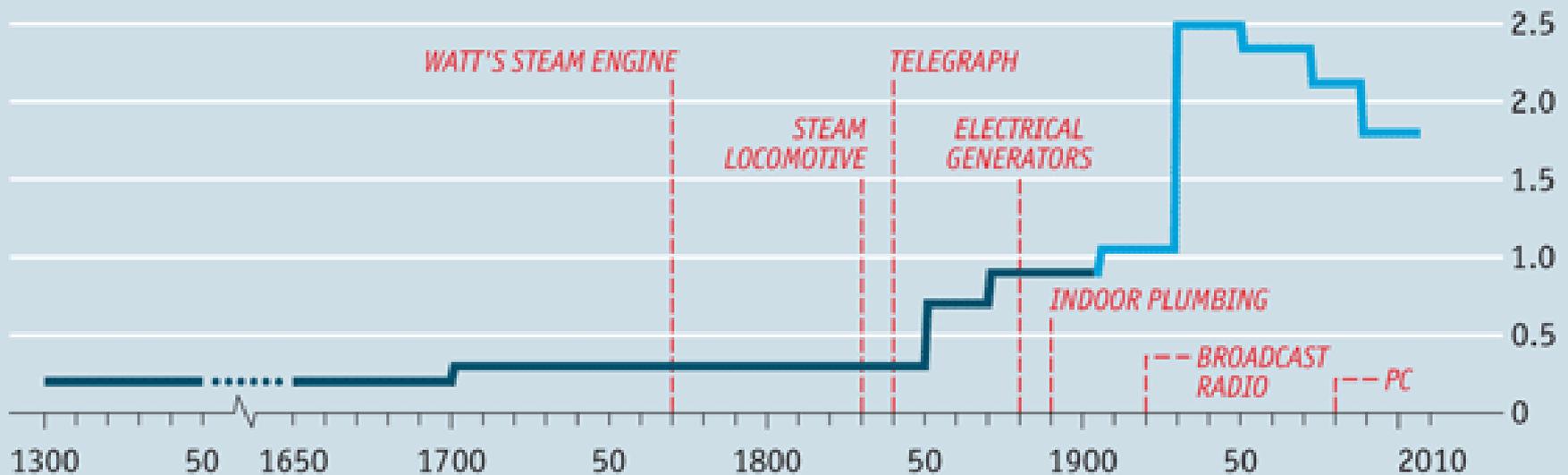
A Slower Productivity Growth in Place?

One big wave

3

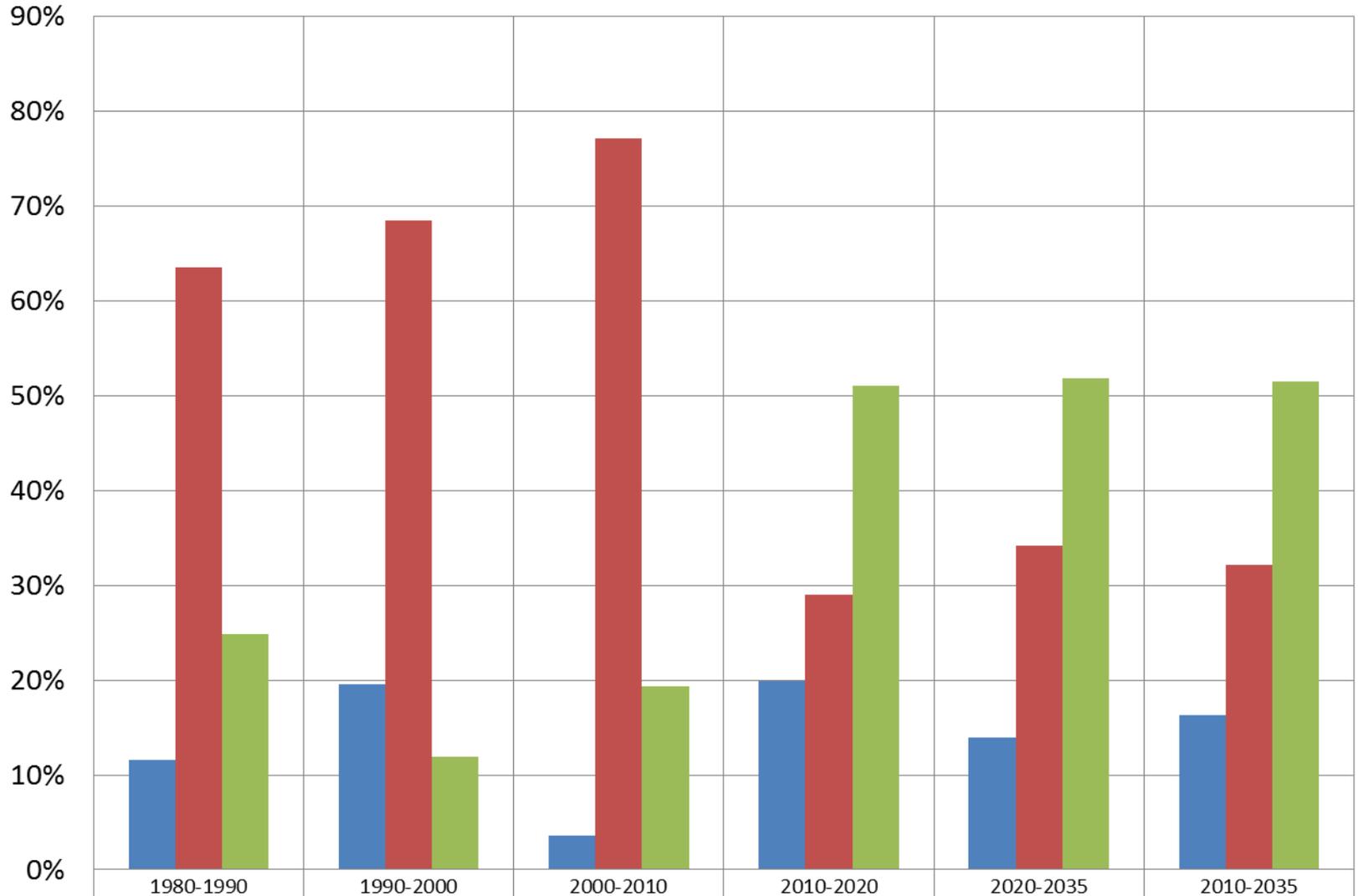
GDP per person, % increase on previous year

— Britain — United States



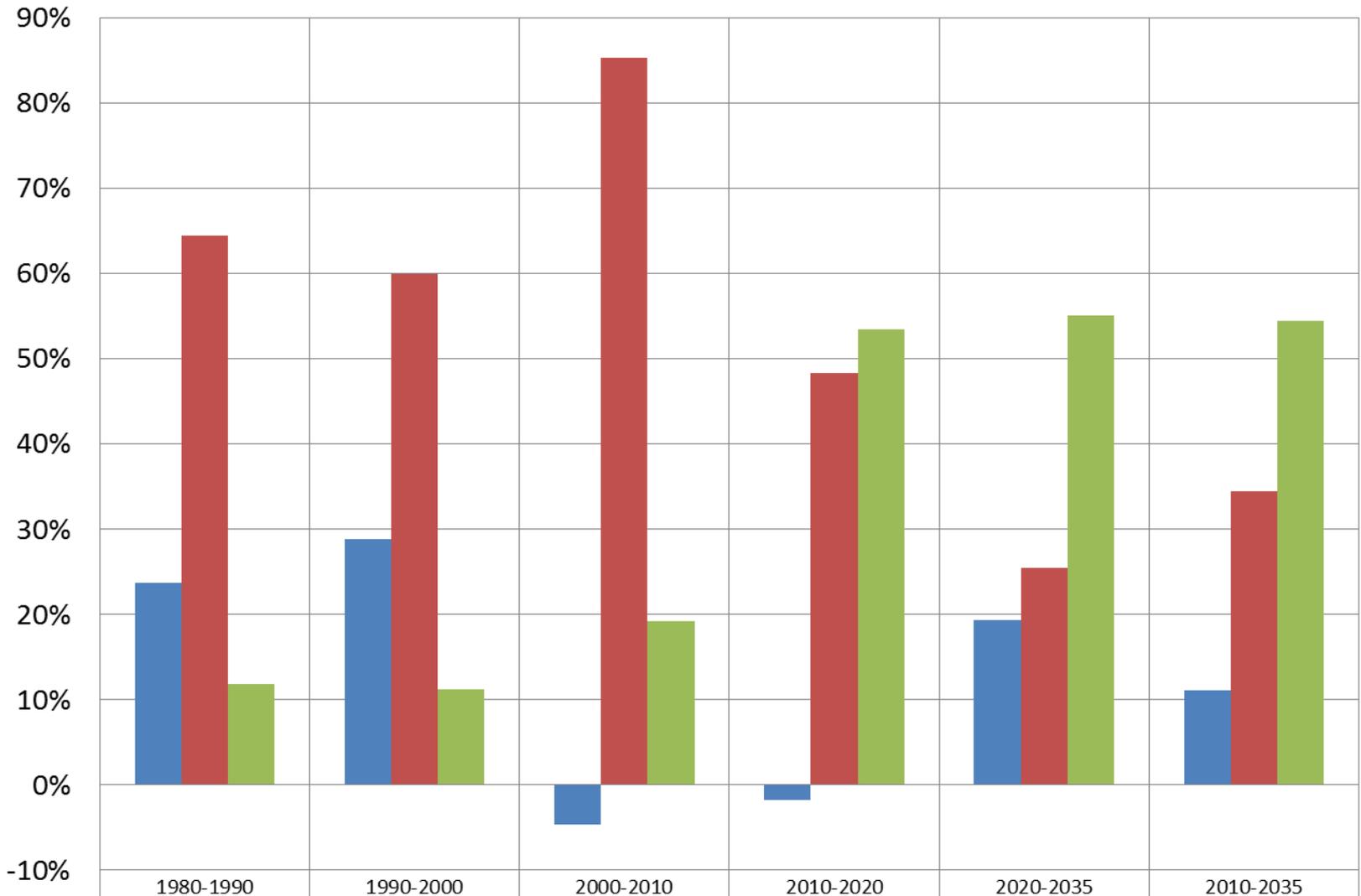
Sources: "Is US Economic Growth Over?", by Robert Gordon, NBER Working Paper, 2012; *The Economist*

US Historical and Projected Share of Population Growth by Age Cohort



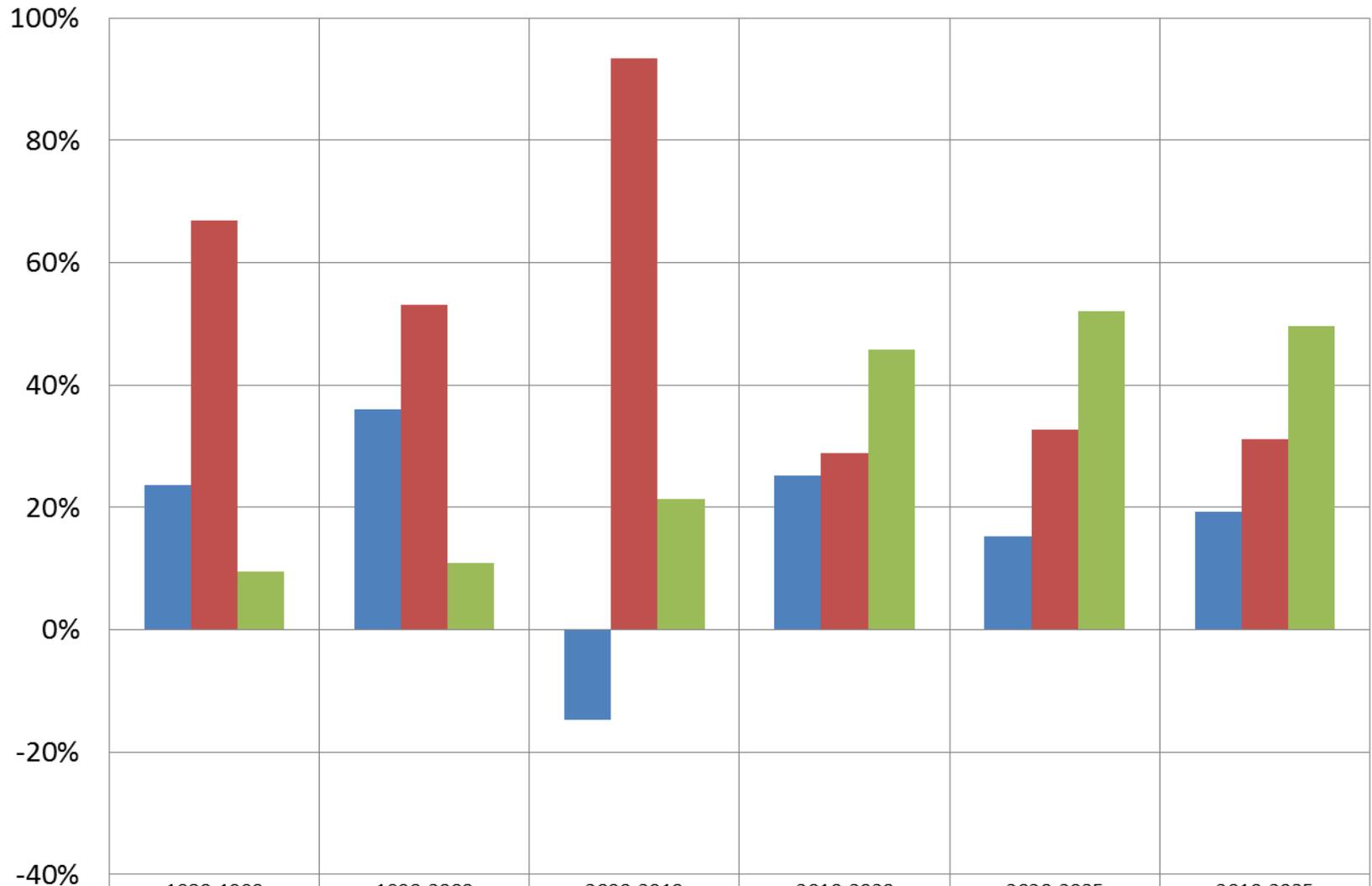
■ young (0-14)	11.6%	19.6%	3.6%	20.0%	13.9%	16.3%
■ Working age (15-64)	63.5%	68.5%	77.1%	29.0%	34.2%	32.2%
■ Old (65 & Above)	24.9%	12.0%	19.3%	51.0%	51.8%	51.5%

CA Historical and Projected Share of Population Growth by Age Cohort



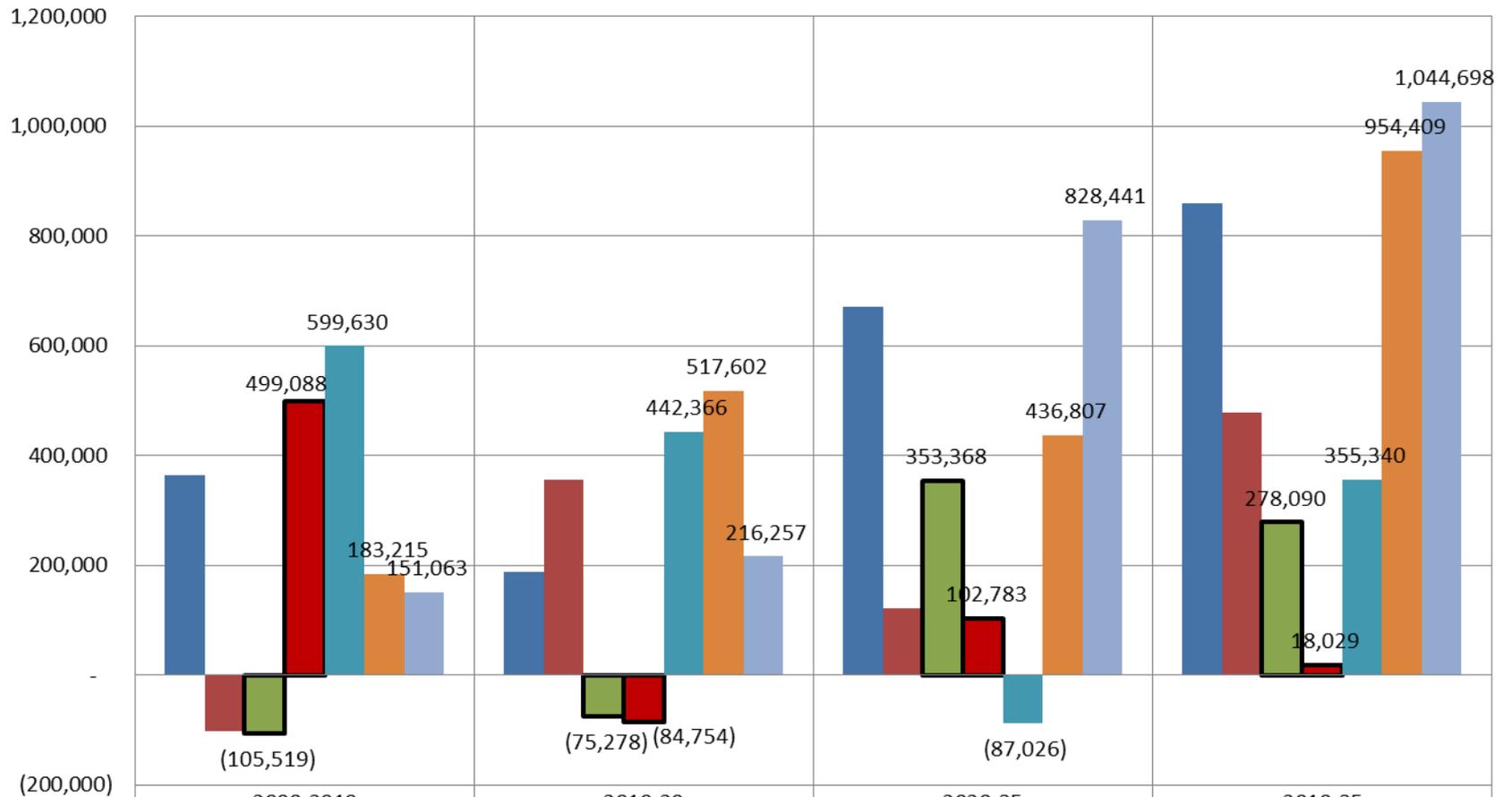
■ young (0-14)	23.7%	28.8%	-4.6%	-1.7%	19.4%	11.1%
■ Working age(15-64)	64.5%	60.0%	85.4%	48.3%	25.5%	34.5%
■ Old (65 & Above)	11.8%	11.2%	19.2%	53.4%	55.1%	54.5%

SCAG Historical and Projected Share of Population Growth by Age Cohort



	1980-1990	1990-2000	2000-2010	2010-2020	2020-2035	2010-2035
■ young (0-14)	23.6%	36.0%	-14.7%	25.3%	15.2%	19.2%
■ Working age(15-64)	66.8%	53.1%	93.3%	28.8%	32.6%	31.1%
■ Old (65 & Above)	9.6%	11.0%	21.4%	45.9%	52.1%	49.6%

SCAG Region Population Changes by Age Cohorts



	2000-2010	2010-20	2020-35	2010-35
■ Under 25 years	363,128	187,948	670,856	858,804
■ 25-34 years	(102,495)	355,416	122,004	477,420
■ 35-44 years	(105,519)	(75,278)	353,368	278,090
■ 45-54 years	499,088	(84,754)	102,783	18,029
■ 55-64 years	599,630	442,366	(87,026)	355,340
■ 65-74 years	183,215	517,602	436,807	954,409
■ 75 years and older	151,063	216,257	828,441	1,044,698

Aging: Who Are Baby Boomers?

A Snapshot as of 2000 & 2010

Who Are Baby Boomers (Born between 1946-64)?

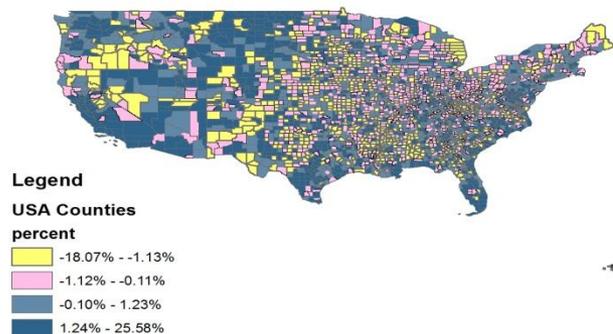
	As of 2000	As of 2010
Age ranges	36-54	46-64
Population size	83,484,000	81,489,455
Share of total population	30%	26%
Number of employed workers	63,633,700	54,827,000
Share of employed workers	46%	39%
Share of total income	54%	46%
Share of expenditures	50%	43%
Share of taxes paid	57%	60%

A record number of U.S. counties — more than 1 in 3 — are now dying off (US Census 3/14/13)



- Hit by an aging population and weakened local economies
- Increasing economic importance of foreign-born residents.
- Without new immigrants, many metro areas such as New York, Chicago, Detroit, Pittsburgh and St. Louis would have posted flat or negative population growth.
- "Immigrants are innovators, entrepreneurs, they're making things happen. They create jobs."
- 1,135 of the nation's 3,143 counties are now experiencing "natural decrease,"

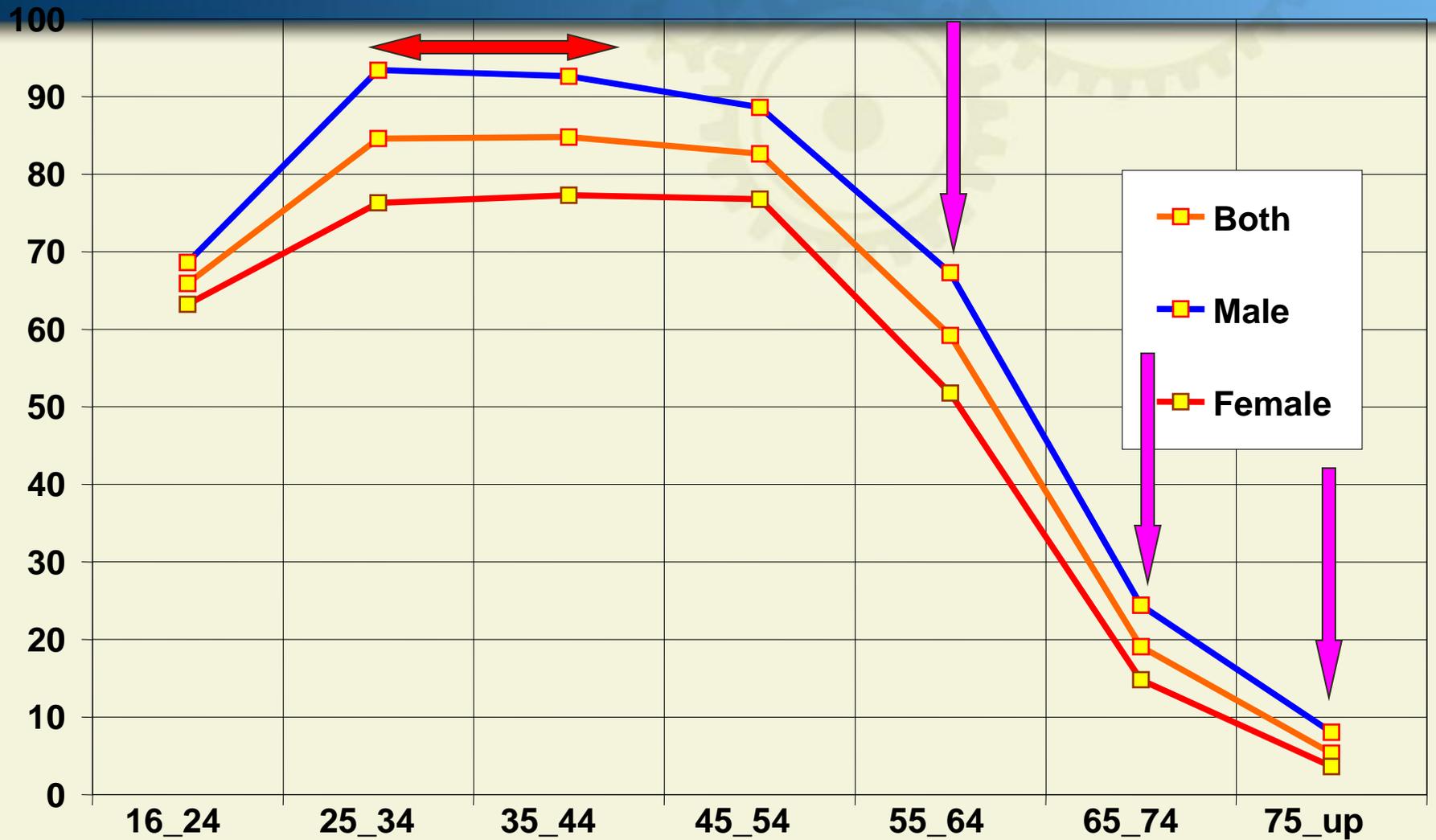
Percent Population Change 2010 to 2012



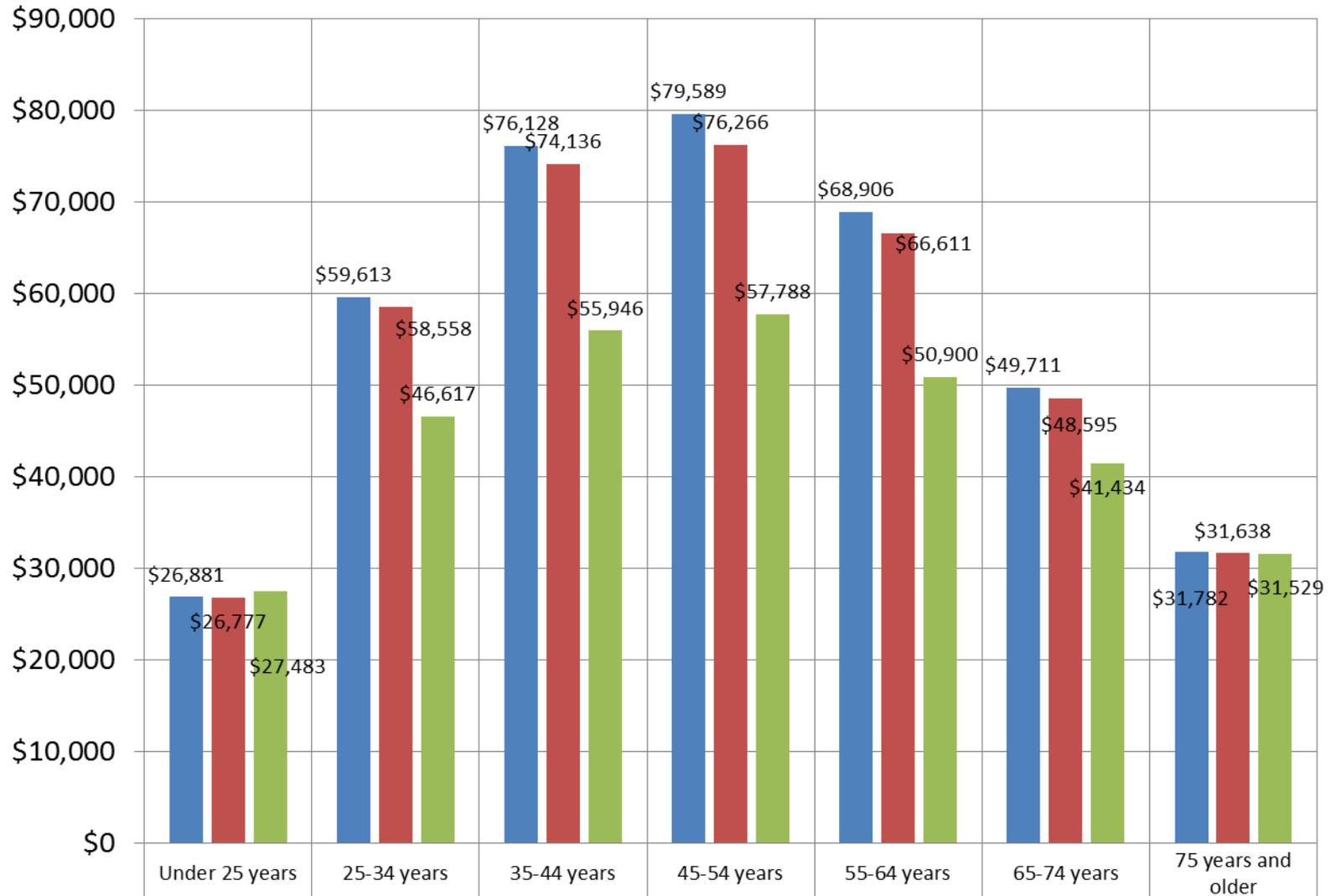
Where did everyone go? Demography may explain the weakness of America's recovery (March 23, 2013)

- **America's long-term growth rate may now be just 2.1%, compared with an average of 3% in the 20 years before the recession.**
- **Since the end of 2007 the population over 16 has grown by 11.6m people and the labor force (those either working or looking for work) has grown by just 1.6m. As a result, the labor force participation rate has fallen from 66% to 63.5%, a tie for the lowest level recorded in more than 30 years.**

Labor Force Participation Rates (%) by Age and Gender: 2000



Average Consumer Income & Expenditures by Age Cohorts: 2010



Income before taxes	\$26,881	\$59,613	\$76,128	\$79,589	\$68,906	\$49,711	\$31,782
Income after taxes	\$26,777	\$58,558	\$74,136	\$76,266	\$66,611	\$48,595	\$31,638
Average annual expenditures	\$27,483	\$46,617	\$55,946	\$57,788	\$50,900	\$41,434	\$31,529

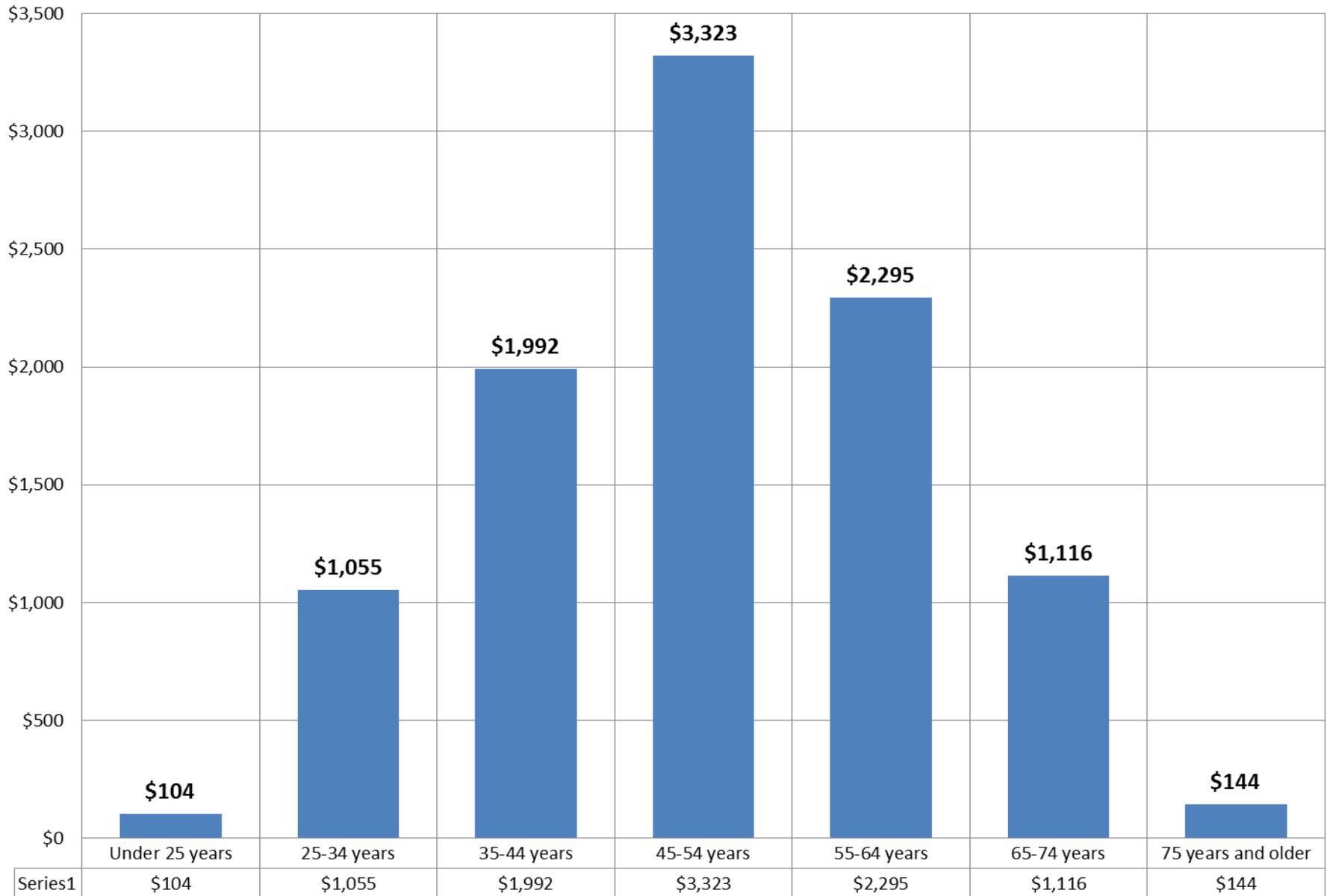
Labor Market Distortion or Discrimination?

Median usual weekly earnings of full-time wage and salary workers by age, race, Hispanic or Latino ethnicity, and sex, not seasonally adjusted, 3rd quarter 2012

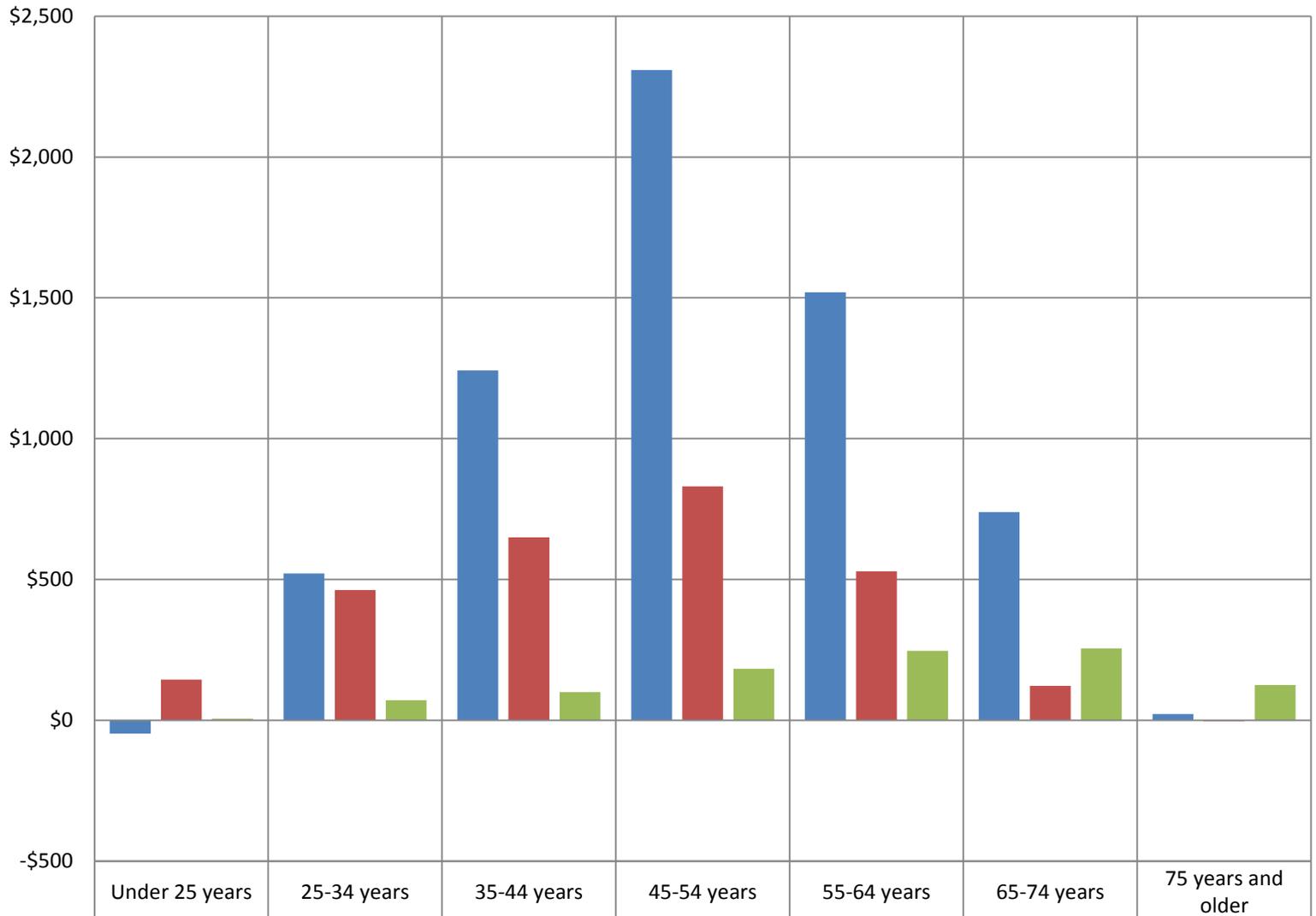


Source: U.S. Bureau of Labor Statistics

Average Tax Paid by Consumers Age Cohorts

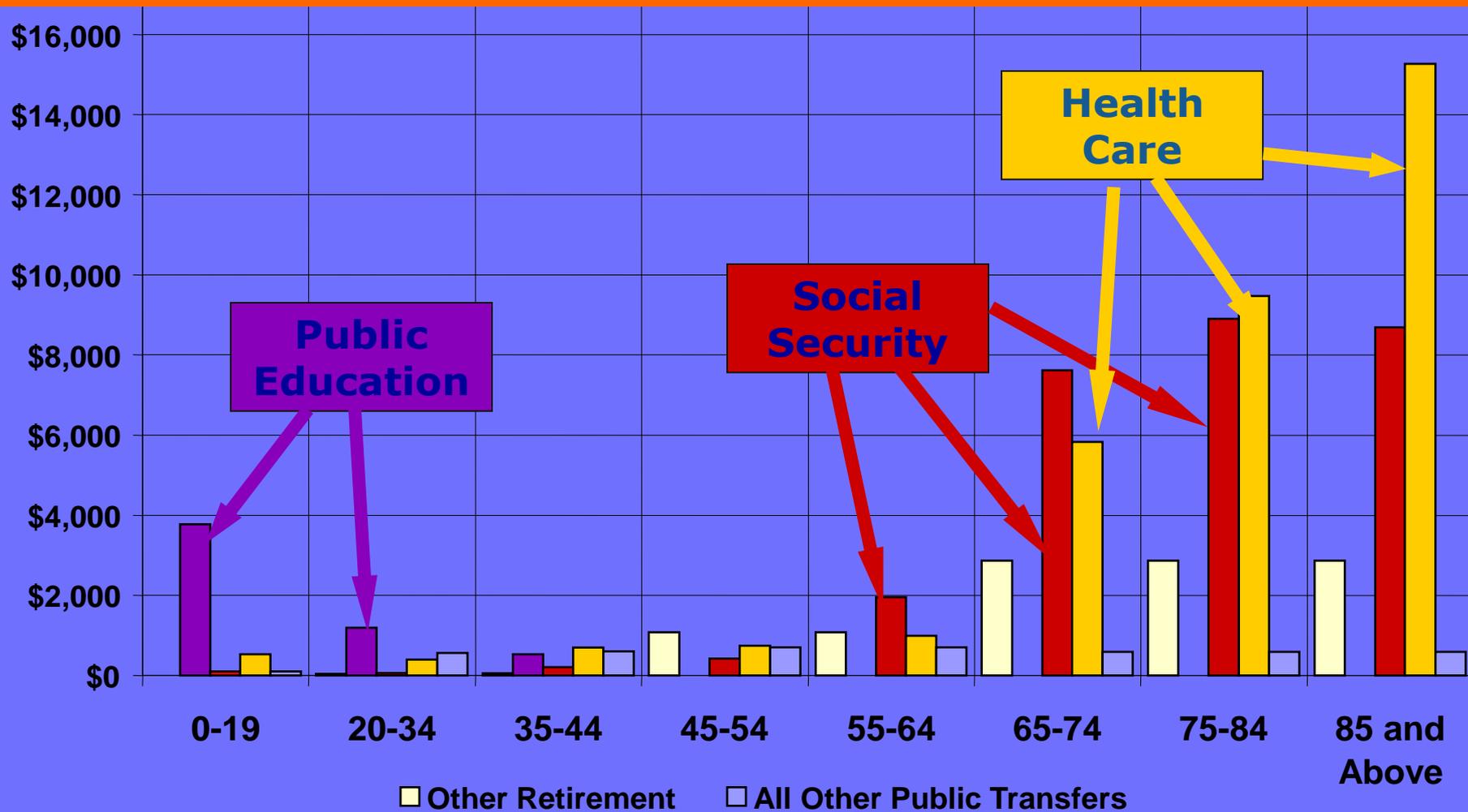


Average Tax Paid by Tax Category by Consumers Age Cohorts



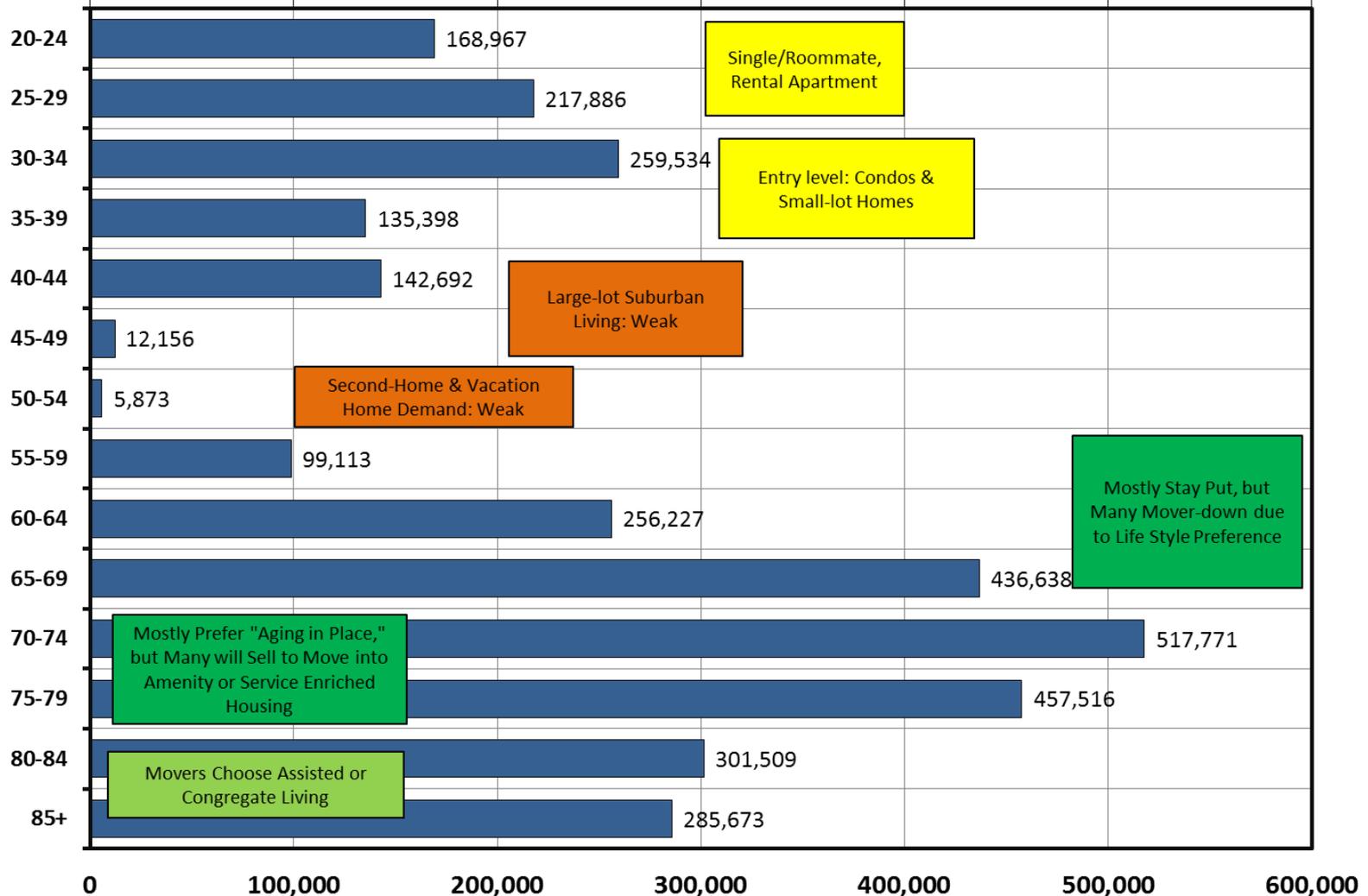
Federal income taxes	-\$47	\$521	\$1,242	\$2,309	\$1,520	\$739	\$22
State and local income taxes	\$145	\$463	\$650	\$831	\$529	\$122	-\$3
Other taxes	\$6	\$71	\$100	\$183	\$247	\$255	\$125

Government Related Services Per Capita



Adult Population Growth (3.3 Million) and /Housing Demand

SCAG Region Projected Population Growth By Age Cohorts 2010-2035



Adult Population Growth (3.3 Million) and / Emerging Housing Demand?

- Across age-cohorts:
 - Multi-generation housing
 - The home within a home—Lennar’s NEXT GEN
 - The first national homebuilder to recognize the need of individual homebuyers and families to “double up or triple-up”
 - To share the cost of their mortgage and other living expenses.
 - In response to this growing trend, Lennar offers **NEXT GENSM – The Home within a Home[®]**,
 - A great solution for:
 - long-term guests,
 - family members or
 - anyone else who can utilize this innovative space.
 - Financial-A sharing economy?
 - Family-ties and needs
 - Over supply

Emerging Housing Demand: The Facts About Multigenerational Living In America

According to the Census Bureau, 

- 1 in 6 Americans currently lives in a multigenerational household.
- Up 15% from two years previous.

Pew Research Center: the percentage of adults who live in a multigenerational household has increased almost 22% over the past 20 years.

In 2009:

24% of foreign-born households

15.6% US-born households

25.8% Asian households

23.7% Black households

23.4% Hispanic households

13.1% White households

What's driving the interest?

- Financial (30%)-A sharing economy?
- Family-ties and needs: health-care issues (29%) and strong family bonds (6%) also play a role.
- Over supply
- 27% were unsure of the reason.



Five Driving Factors For Multigenerational Families

1. Economic Conditions
2. All The Single Ladies
3. Cultural Preferences
4. Family Matters
5. Health & Disability

For Multigenerational Families: Outlook

It is here to stay

Whether you believe that multigenerational living is a wonderful resurrection of what was nearly an extinct way of life in America... or you think is a cop-out by generations x-y and z...

- Since 1990 the number of multigenerational households has grown by almost 40%.
- With an increase in life expectancy, more baby boomers retiring and pension funds decreasing it is certain these numbers will only continue to rise over the next 10-20 years.
- It simply makes economic sense in the midst of a widespread economic lull.
- For many it is compulsory, and for many others, they simply wouldn't have it any other way.

Emerging Housing Demand?

Michael Litchfield, "In-Laws, Outlaws, and Granny Flats: Your Guide to Turning One House into Two Homes."



separate
exterior entrance



private
bed, bath & living



personal
kitchenette & laundry



affordable
family living

"The perfect option for any dual living arrangement"

Emerging Housing Demand?

Multigenerational Homes: Real Estate's Next Big Thing as More Families Share a Space



Jessica Bruno/Four Generations, Dec. 5, 2012



separate
exterior entrance



private
bed, bath & living



personal
kitchenette & laundry



affordable
family living

"The perfect option for any dual living arrangement"

Emerging Housing Demand?

The new American household: 3 generations, 1 roof



separate
exterior entrance



private
bed, bath & living



personal
kitchenette & laundry



affordable
family living

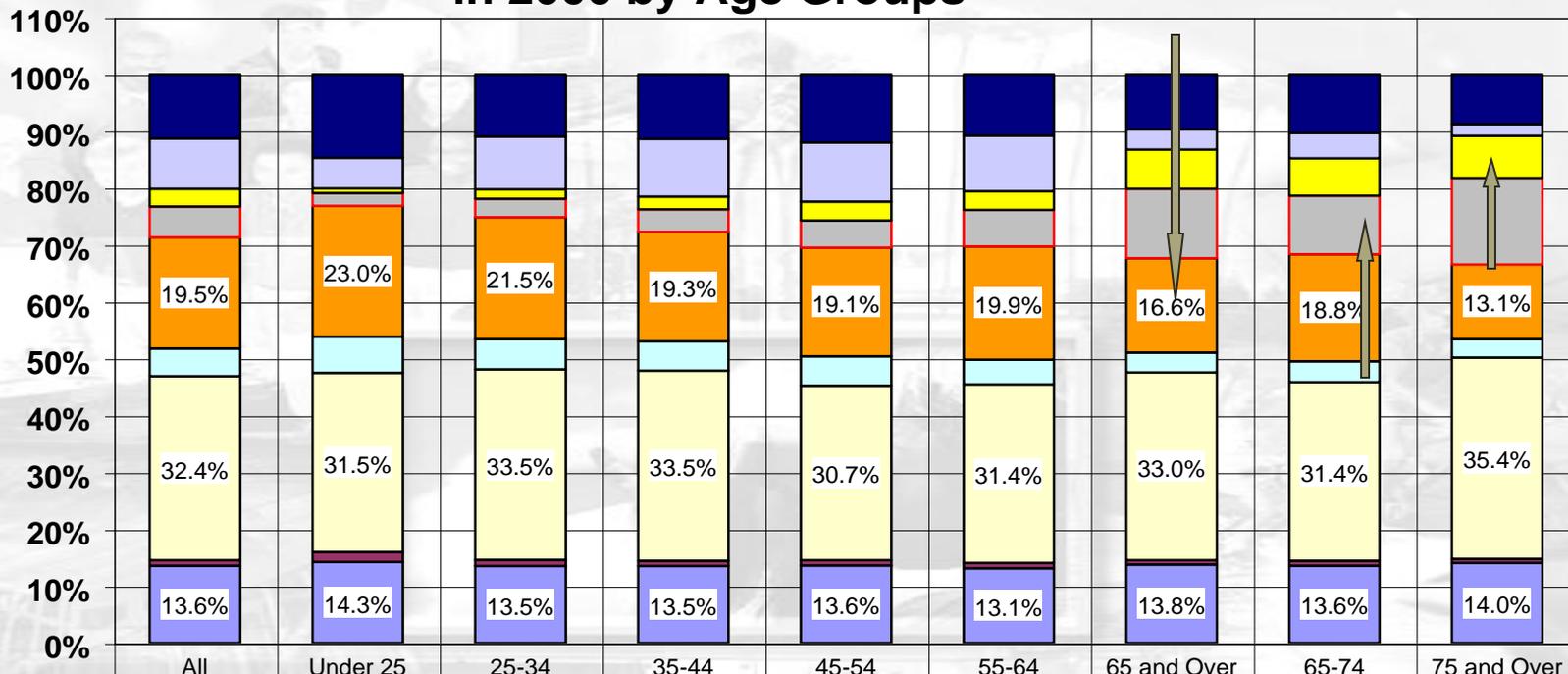
"The perfect option for any dual living arrangement"

Major Themes about Implications for Transportation Planning

- **From expenditure perspective**
- **Transportation demand forecast**
 - **Passenger travel demand by age groups in terms of trip making, trip purposes, trip length, mode choices, and time-of-day travel**
- **Security and safety concerns of elderly**
 - **As pedestrians**
 - **As drivers**

www.scag.ca.gov/livable

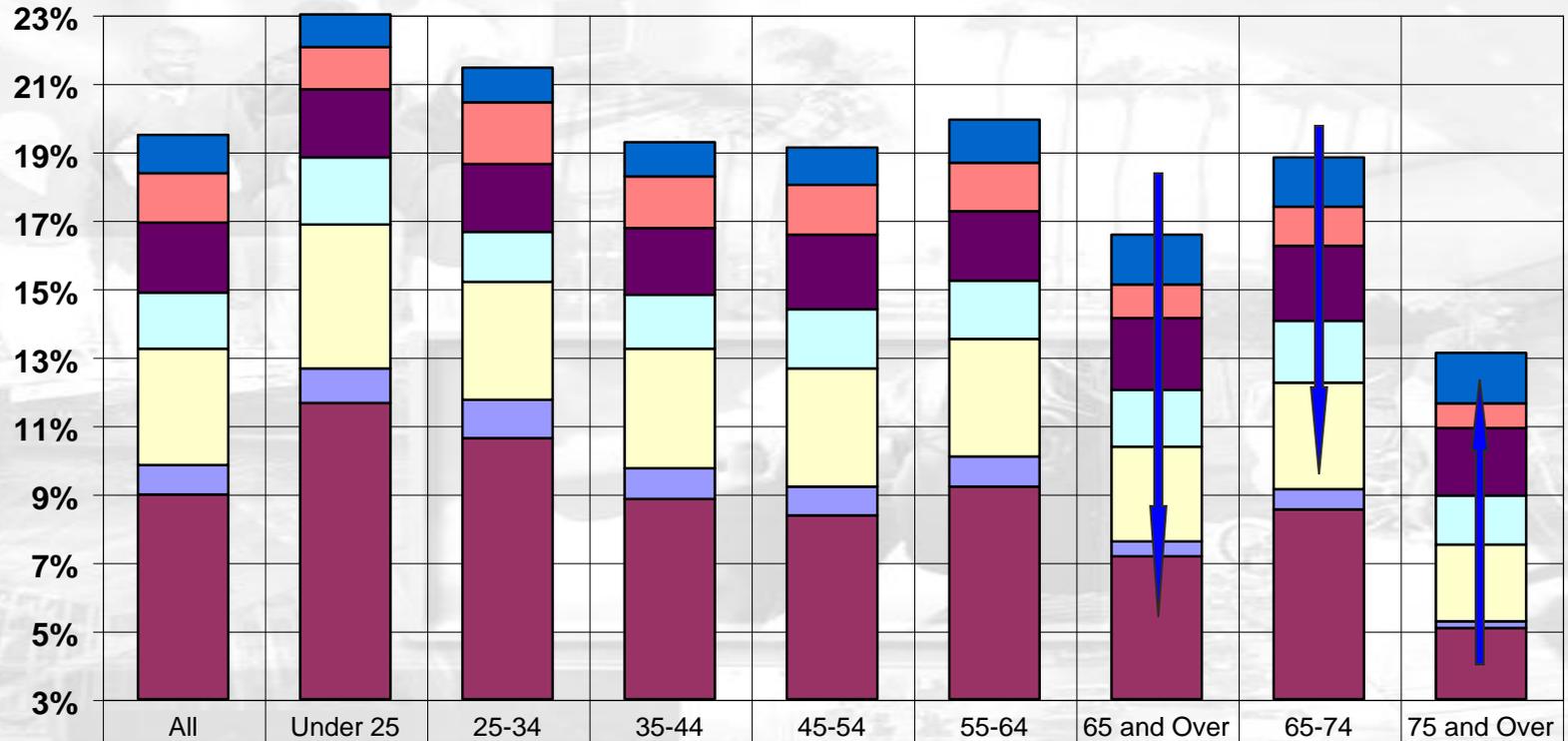
Budget Share of Major Consumer Expenditure Categories in 2000 by Age Groups



■ Miscellaneous/Others	11.3%	14.7%	11.0%	11.4%	12.0%	10.8%	9.7%	10.3%	8.8%
□ Insurance & pensions.	8.8%	5.4%	9.3%	10.1%	10.4%	9.8%	3.5%	4.5%	2.1%
■ Cash contributions	3.1%	0.8%	1.7%	2.2%	3.3%	3.3%	6.9%	6.6%	7.4%
■ Health care.	5.4%	2.2%	3.2%	3.9%	4.8%	6.4%	12.2%	10.3%	15.2%
■ Transportation	19.5%	23.0%	21.5%	19.3%	19.1%	19.9%	16.6%	18.8%	13.1%
□ Apparel and services	4.9%	6.3%	5.3%	5.1%	5.1%	4.3%	3.5%	3.7%	3.2%
□ Housing.	32.4%	31.5%	33.5%	33.5%	30.7%	31.4%	33.0%	31.4%	35.4%
■ Alcoholic beverages.	1.0%	1.7%	1.1%	0.9%	0.9%	0.9%	0.8%	0.8%	0.7%
■ Food	13.6%	14.3%	13.5%	13.5%	13.6%	13.1%	13.8%	13.6%	14.0%



Share of Transportation Expenditures by Age Cohorts



Public transportation	1.1%	1.0%	1.0%	1.0%	1.1%	1.3%	1.5%	1.4%	1.5%
Rental/leases/licenses	1.4%	1.2%	1.8%	1.5%	1.5%	1.4%	1.0%	1.1%	0.7%
Insurance	2.0%	2.0%	2.0%	2.0%	2.2%	2.0%	2.1%	2.2%	2.0%
Maintenance/repairs	1.6%	2.0%	1.5%	1.6%	1.7%	1.7%	1.7%	1.8%	1.4%
Gasoline/motor oil.	3.4%	4.2%	3.4%	3.5%	3.4%	3.4%	2.8%	3.1%	2.2%
Auto finance charges	0.9%	1.0%	1.1%	0.9%	0.8%	0.9%	0.4%	0.6%	0.2%
Vehicle purchases	9.0%	11.7%	10.6%	8.9%	8.4%	9.2%	7.2%	8.5%	5.1%

People, Places, Vision

Total Daily Trips, Distance, Time, and Time-of-Day Activity Distribution by Age Cohort

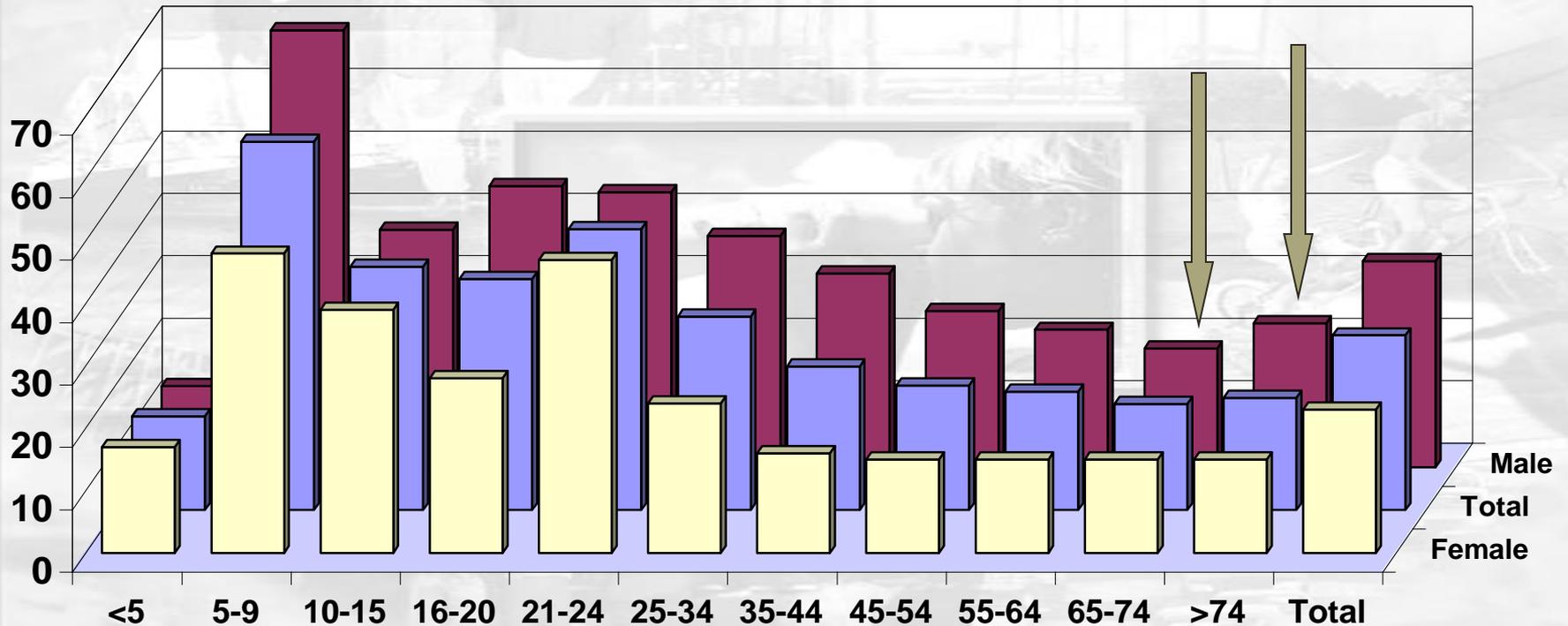
Age Cohort	Total Trips		Distance		Time		Time of Day Activity Distribution			
	Mean	Median	Mean	Median	Mean	Median	7am-10am	10am-3pm	3pm-7pm	7pm-7pm
16-64	4.2	4.0	33.4	22.0	64.8	53.0	26.9%	37.5%	27.8%	7.8%
55-64	3.7	4.0	27.6	18.0	59.0	47.0	27.6%	38.9%	26.5%	7.0%
65 and Older	3.1	3.0	19.1	9.0	46.7	34.0	22.8%	43.3%	27.4%	6.5%
65-74	3.5	3.0	22.3	12.0	53.0	40.0	23.8%	41.9%	27.6%	6.7%
75 and Older	2.4	2.0	13.6	4.0	36.3	22.0	20.3%	46.7%	27.0%	6.0%

Age Cohort	Non-Work Trips		Distance		Time		Time of Day Activity Distribution			
	Mean	Median	Mean	Median	Mean	Median	7am-10am	10am-3pm	3pm-7pm	7pm-7pm
16-64	2.9	2.0	20.8	8.0	41.4	23.0	18.9%	36.3%	33.8%	10.9%
55-64	2.9	2.0	20.0	8.0	43.3	27.0	22.1%	38.7%	30.6%	8.6%
65 and Older	2.8	2.0	17.5	7.2	43.0	30.0	21.0%	43.6%	28.5%	6.9%
65-74	3.2	3.0	20.2	10.0	48.1	34.0	21.6%	42.1%	29.0%	7.2%
75 and Older	2.3	2.0	12.8	4.0	34.5	20.0	19.7%	46.8%	27.4%	6.1%

Source: Processed from 1995 National Personal Travel Survey (NPTS) data.

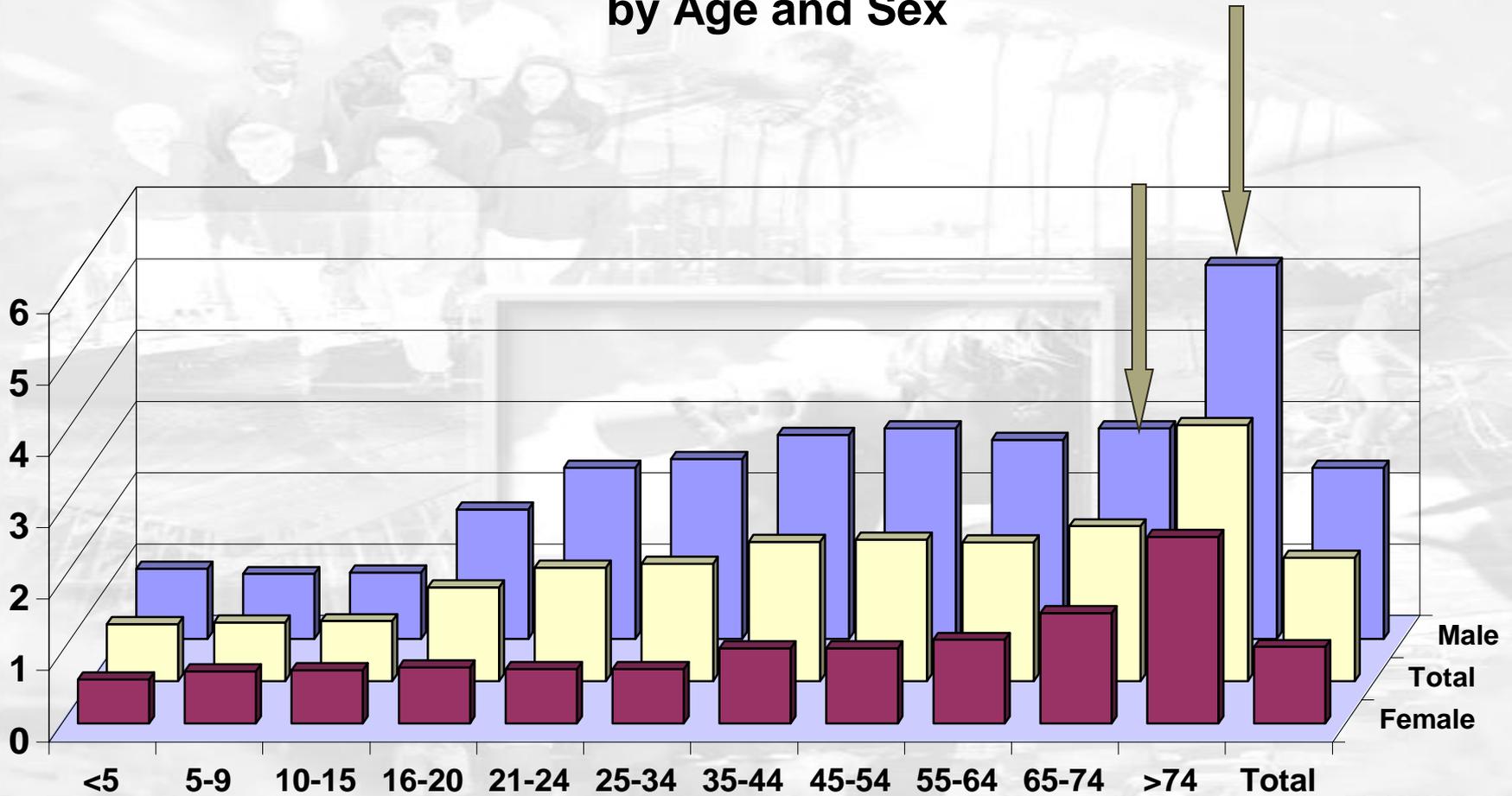
People, Places, Vision

Pedestrian Injury Rates Per 100,000 Population by Age and Sex



People, Places, Vision

Pedestrian Fatality Rates Per 100,000 Population by Age and Sex

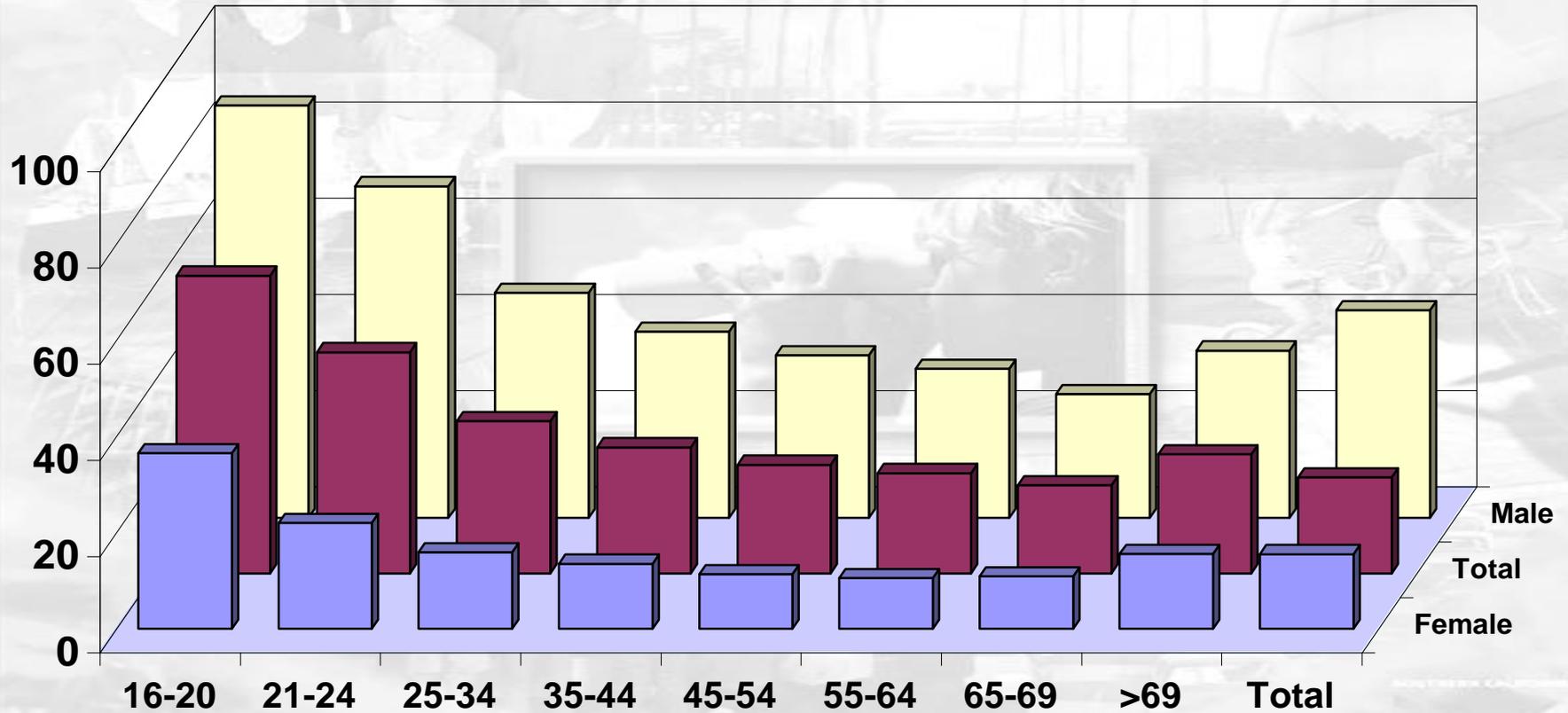


www.scag.ca.gov/livable

SOUTHERN CALIFORNIA
ASSOCIATION OF
GOVERNMENTS

People, Places, Vision

Driver Involvement Rates of Fatal Crashes Per 100,000 Licensed Drivers by Age and Sex

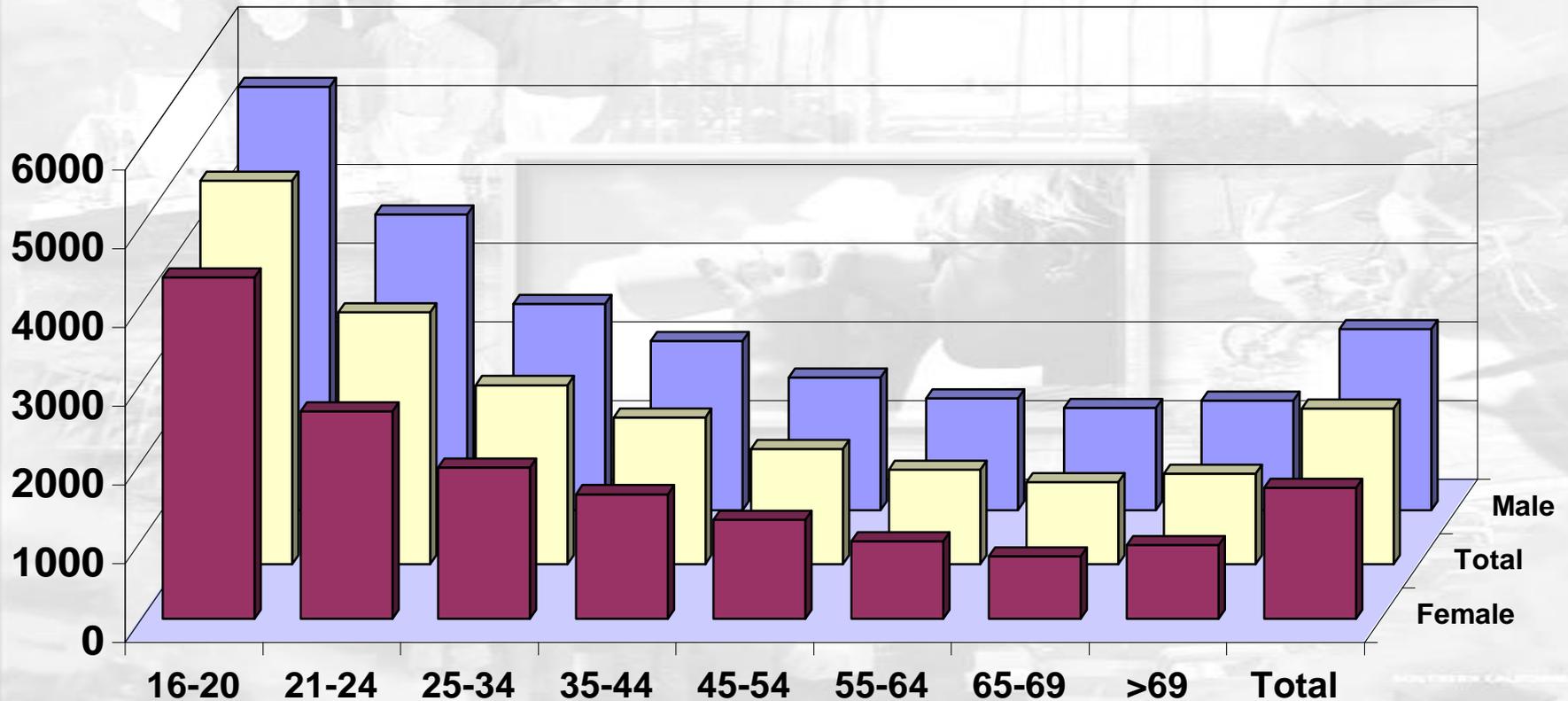


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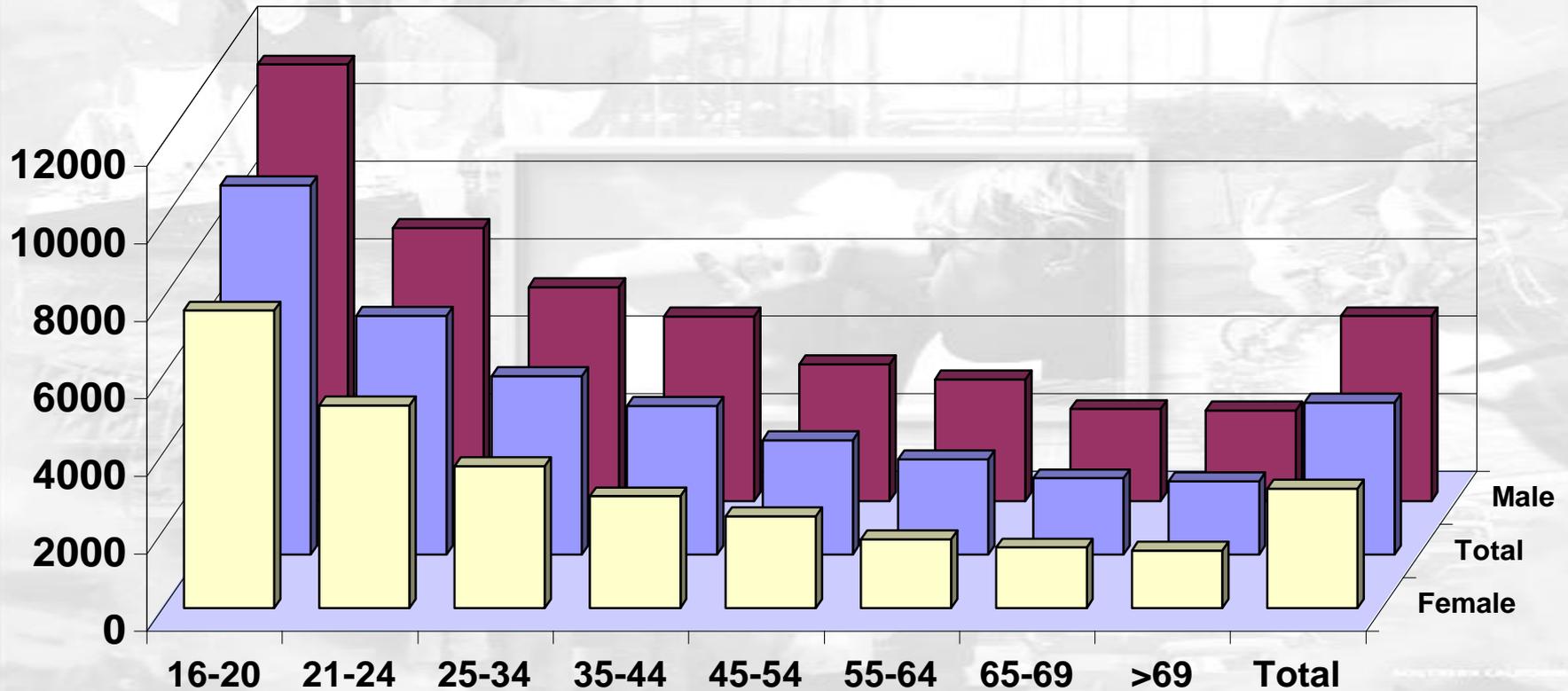
Driver Involvement Rates of Injury Crashes Per 100,000 Licensed Drivers by Age and Sex



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People, Places, Vision

Driver Involvement Rates of Property Damage Only Per 100,000 Licensed Drivers by Age and Sex



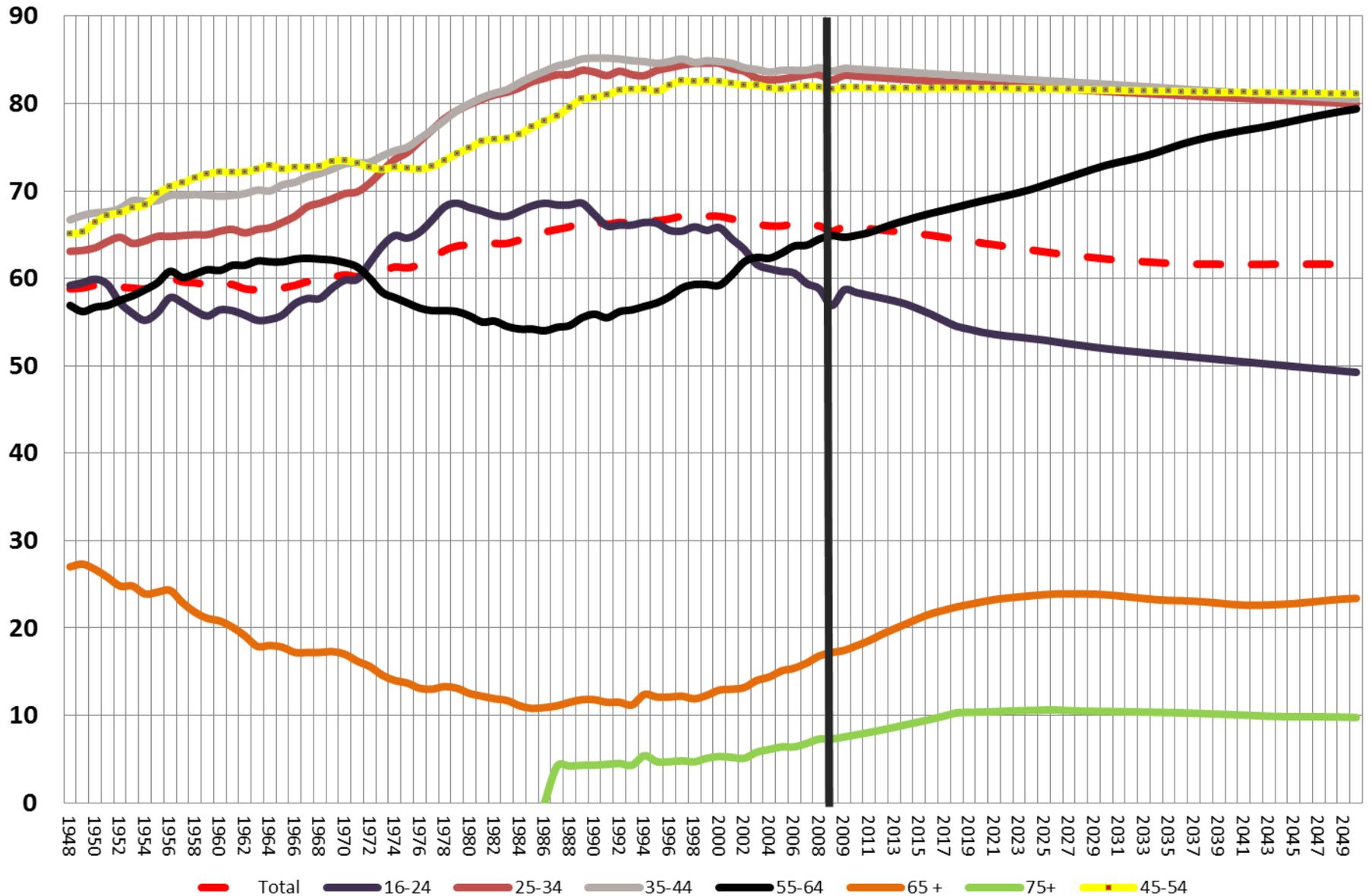
www.scag.ca.gov/livable



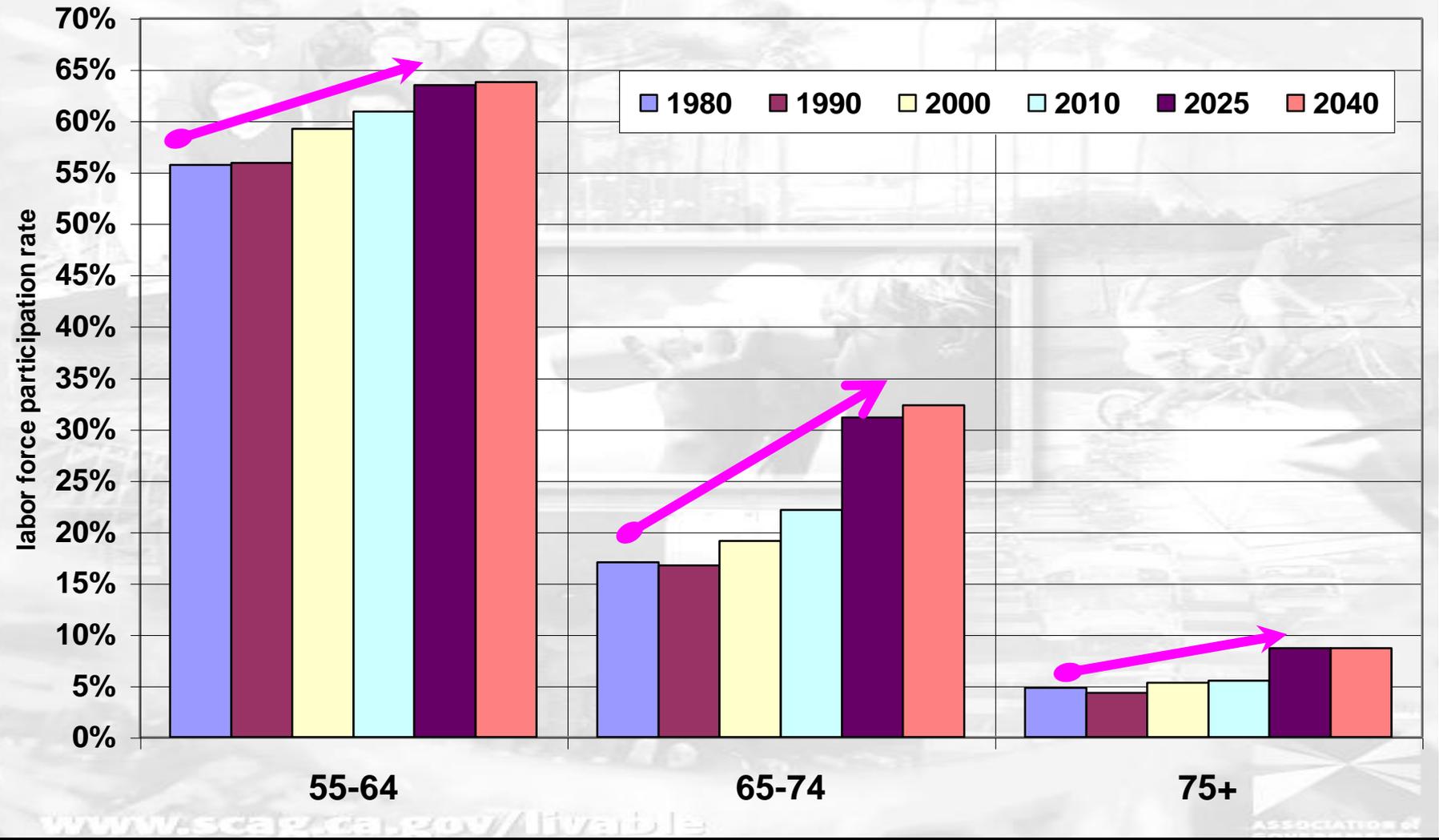
A simulation: Projected Job growth

- 1. Use projected population growth by age cohorts**
- 2. Apply assumptions of future labor force participation rates by age**
- 3. Derive the growth in labor force**

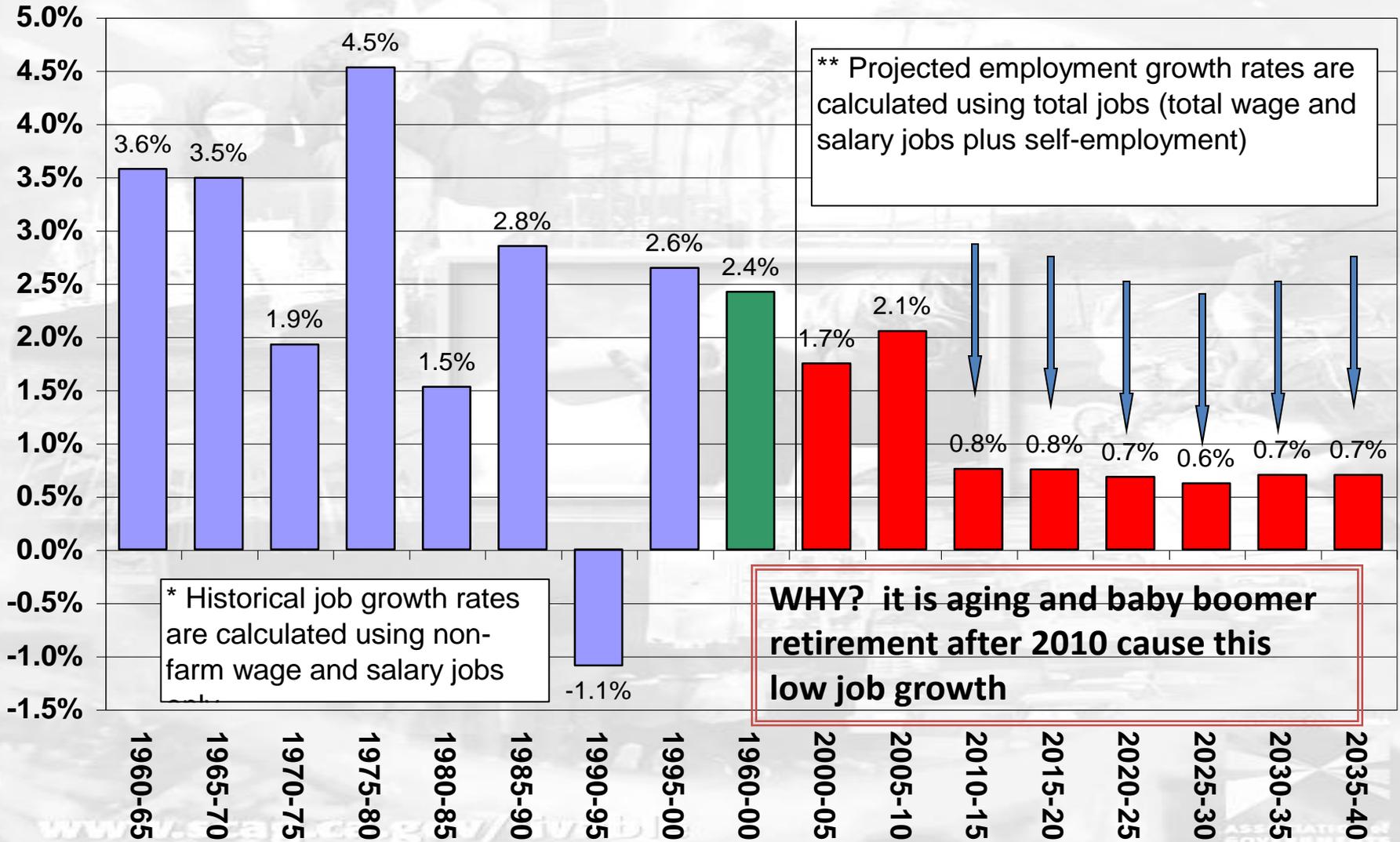
US Historical and Projected LFPR (%) by Age Cohorts



U.S. Labor Force Participation Rates Assumptions for Old Age Cohorts

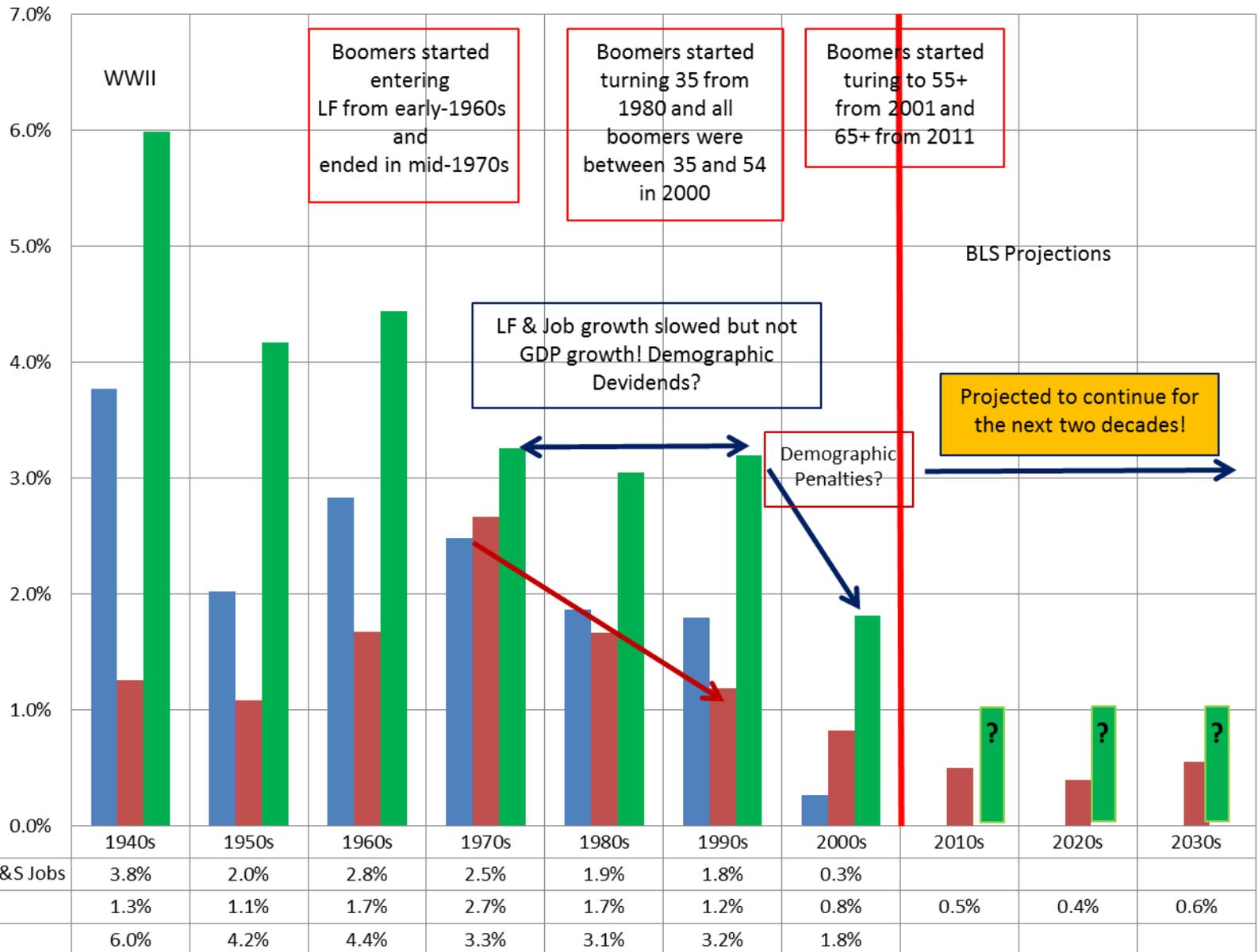


SCAG Historical* and Projected** Employment Growth



WHY? it is aging and baby boomer retirement after 2010 cause this low job growth

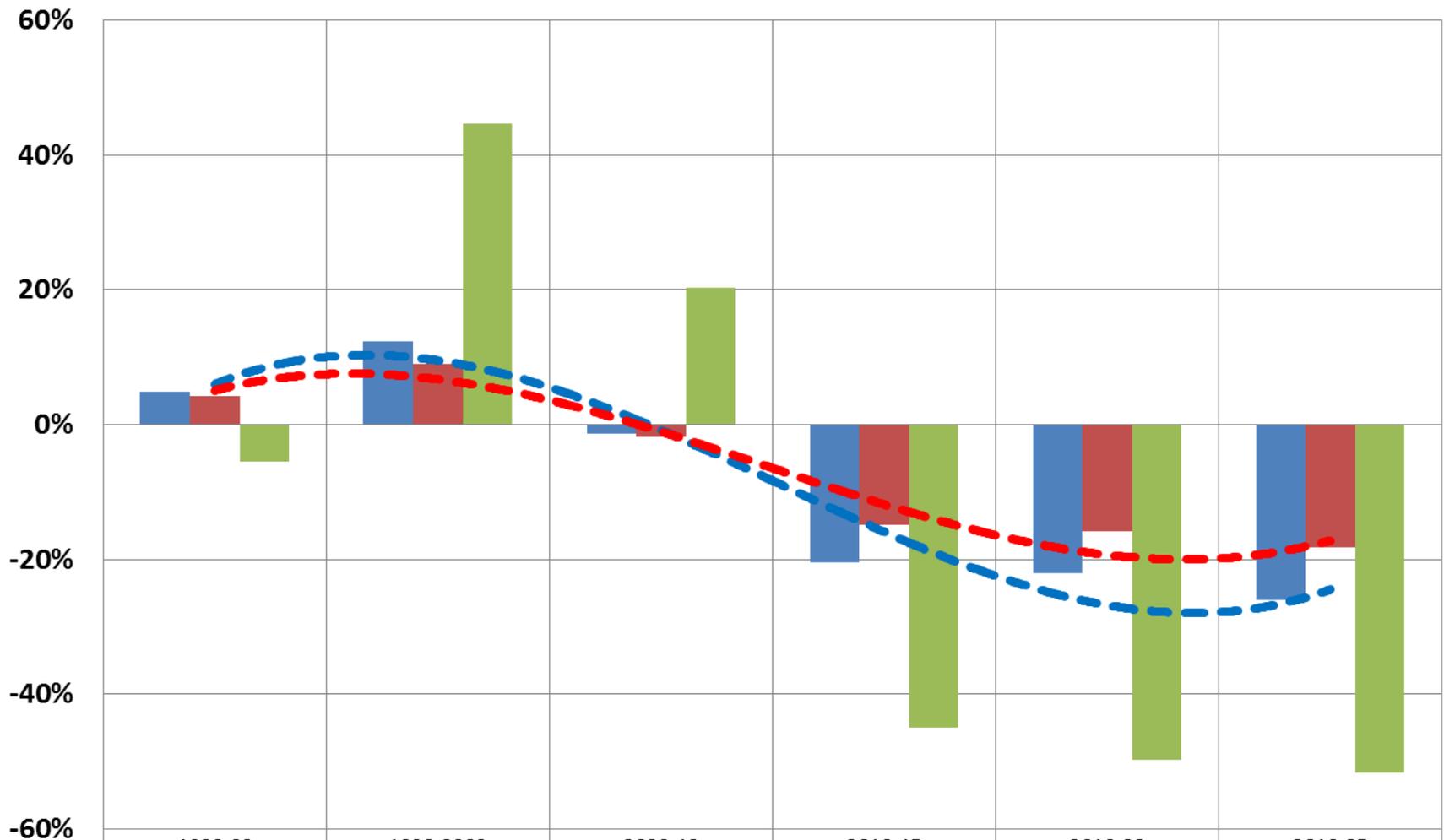
Average U.S. Nonfarm W&S Job, Labor Force and GDP Growth



A simulation: Projected Impacts on Income/Expenditure/Taxes Paid

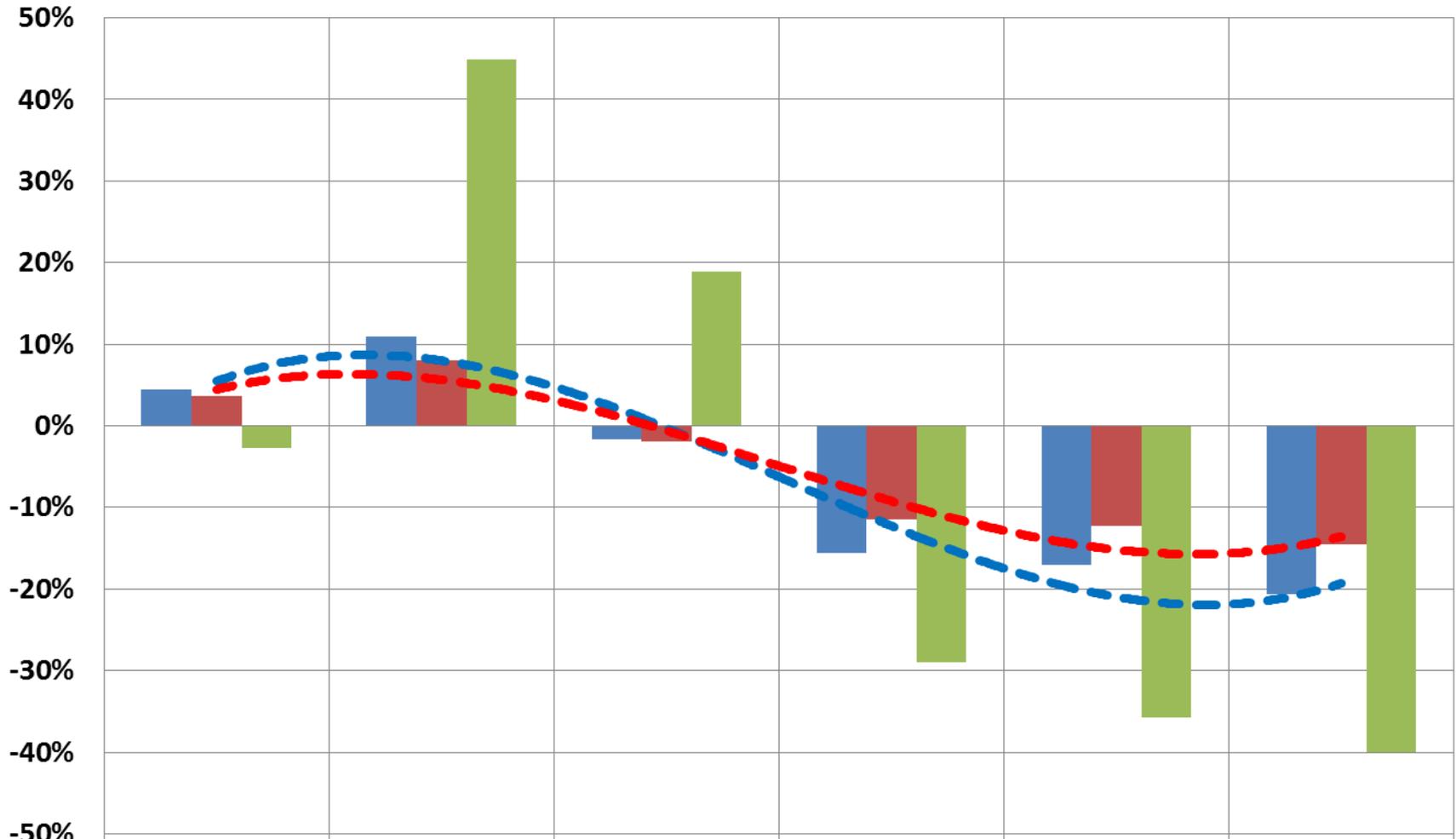
- 1. Use historical and projected population/household growth by age cohorts**
- 2. Apply assumptions of household income, expenditures, and taxes paid by age cohorts**
- 3. Derive the projected growth in income, expenditure, and taxes paid**
- 4. Compare with a fixed household distribution by age cohorts as 2010.**

US: % Change in Growth Rate vs. Constant 2010 Household Age Distribution Using 2010 Consumer Expenditure Survey (CEX)



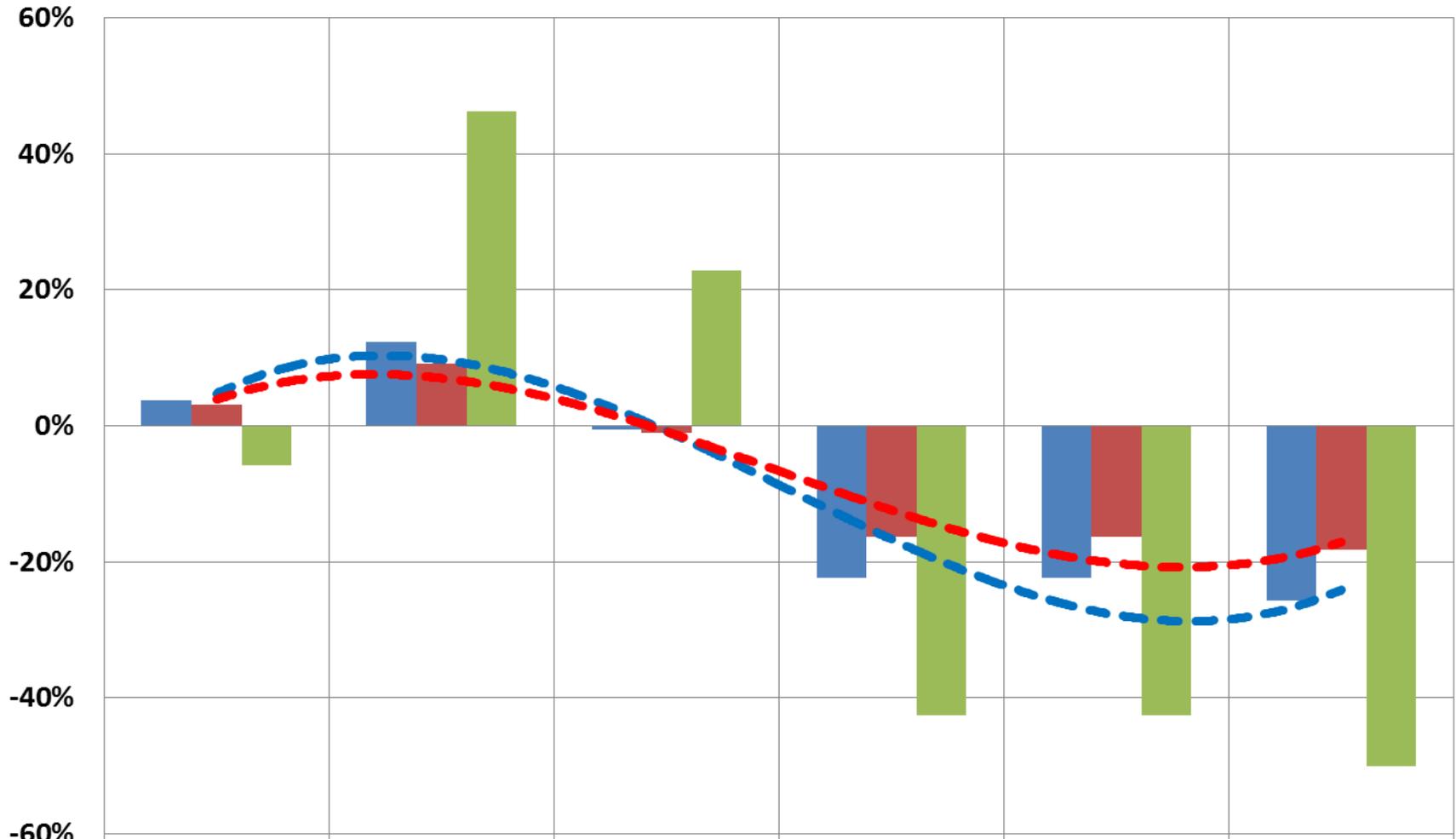
	1980-90	1990-2000	2000-10	2010-15	2010-20	2010-35
Income	4.9%	12.3%	-1.3%	-20.5%	-22.0%	-26.0%
Expenditure	4.2%	9.0%	-1.8%	-15.0%	-15.8%	-18.3%
Taxes Paid	-5.4%	44.6%	20.4%	-44.9%	-49.7%	-51.7%

CA: % Change in Growth Rate vs. Constant 2010 Household Age Distribution Using 2010 Consumer Expenditure Survey (CEX)



	1980-90	1990-2000	2000-10	2010-15	2010-20	2010-35
Income	4.4%	11.0%	-1.6%	-15.5%	-17.0%	-20.6%
Expenditure	3.6%	8.1%	-1.9%	-11.4%	-12.3%	-14.5%
Taxes Paid	-2.7%	44.9%	18.9%	-28.9%	-35.7%	-40.0%

SCAG: % Change in Growth Rate vs. Constant 2010 Household Age Distribution Using 2010 Consumer Expenditure Survey (CEX)



	1980-90	1990-2000	2000-10	2010-15	2010-20	2010-35
Income	3.7%	12.4%	-0.6%	-22.3%	-22.3%	-25.8%
Expenditure	3.1%	9.1%	-1.0%	-16.3%	-16.3%	-18.3%
Taxes Paid	-5.8%	46.3%	22.8%	-42.6%	-42.6%	-50.0%

Summary

- ❖ **Demography is destiny!?**
- ❖ **The region's population is aging and will be more diversified**
- ❖ **Population growth by age cohorts provides valuable information on timing and phasing of future growth challenges**
- ❖ **The slow growth of employment after 2010 is particularly worrisome, the region needs collectively to communicate this demographic trends, to build up consensus, and to assess the likely impacts in every aspects of our life and regional planning**
- ❖ **An aging society will also generate new opportunities--different growing industries, ethnic markets, and communities**
- ❖ **Population aging will post challenges and crisis, however, challenges and crisis can be met with a reasonable set of policy choices and early-on planning.**
- ❖ **However, collectively we may need think out of the box for nonconventional solutions**

New Demographics?

- ❖ **Tomorrow's elderly will behave differently from today's elderly--Baby Boomers will be different from their parents. But how?**
- ❖ **Some of the elderly workers will stay longer in the labor force. But to what extent?**
- ❖ **Most baby boomers will age in place, but what are many boomers next move?**
- ❖ **Will the young behaves differently? The cheapest generation: They don't like to drive or too poor to drive or move out?**
- ❖ **Will the native born second generation immigrants fare better than baby boomers?**

New Demographics (Continued)?

- ❖ Will immigrants continue to cram into crowded quarters as they come to the region for jobs?**
- ❖ Will the different lifestyle and housing needs of aging Baby Boomers and young Hispanics shape development patterns and affect voting decisions on land use issues?**
- ❖ Will there be an intergenerational agreement/contract regarding how to fund the boomer retirements and health care demand and balance the government budget and support for that services**
- ❖ International collaboration and cooperation, including immigration and assistance in developing countries a must in the future?**
- ❖ The projected surge of the number of middle class in developing countries—How to attract them, both their investment and intellectual assets?**

Change in Share of Housing Types

U.S. Trends

Household Type	1960	2005	2040
HH with Children	48%	32%	26%
HH without Children	52%	68%	74%
Single-person HH	13%	31%	34%

Source: Dr. Arthur C. Nelson, Presidential Professor & Director of Metropolitan Research, University of Utah

Housing: U.S. Market Preferences

	PREFERENCES			ACTUAL
House Type	Nelson Synthesis of Surveys 2006	RCLCO 2008 Gen-X & Gen-Y	NAR Demand 2011	AHS Share 2009
Attached	38%	38%	39%	30%
Small Lot	37%	37%	37%	20%
Other Lot	25%	25%	24%	50%

Sources: Arthur C. Nelson, Metropolitan Research Center; RCLCO (2008); University of Utah and National Association of Realtors (2011); American Housing Survey (2010)

Milken Institute Population Aging Initiative



MILKEN INSTITUTE
CHANGING THE WORLD IN INNOVATIVE WAYS



What Is Successful Aging?



GENERAL INDICATORS



FINANCIAL



EDUCATION/EMPLOYMENT



LIVING ARRANGEMENTS



HEALTH CARE



WELLNESS



TRANSPORTATION/CONVENIENCE



COMMUNITY ENGAGEMENT

Strategies/Solutions

1. **Market responses/new products: multiple-generation housing, share kitchen/bath dormitory style Apt or Condo (redefine overcrowding, housing with problems?)**
2. **New planning areas: Aging friendly cities/house, and neighborhood design or retrofit for an aging society**
3. **Institutional/legislature/economic incentives: delay retirement, raise ages for full retirement benefits, health care or retirement reform, budget cut, raise taxes**
4. **Innovation/productivity: Is an aging society less innovative and productive? Long term energy costs and sources from natural gas**
5. **Traditional fiscal stimulus/monetary policies-POMO*/Austerity: Are they feasible? Will they work? Political acceptable?**
6. **Encourage more kids? Currently unused/under utilized labor force?**
7. **Immigration/Foreign direct investment (How to attract them?)**
8. **Others?**
9. **Governance**

International/Intergenerational Social Contract

