

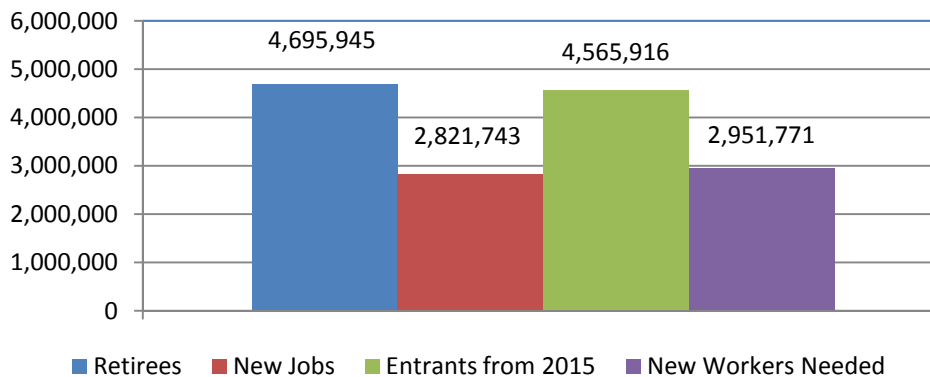
February 2019

## The Impending California Retirement Wave—Numbers and Policy Implications

Approximately 4.7 million California workers will retire between 2015 and 2030—roughly 25% of the 2015 workforce. During this period the state is projected to add 2.8 million jobs. That leaves 7.5 million job openings to fill but there were only 4.6 million young Californians likely to join the workforce by 2030.

Thus the state is short nearly 3 million workers to replace retiring residents and provide for new job growth. This potential shortage raises policy questions about immigration, housing, education and workforce training. **One bottom line is that housing and immigration are critical economic competitiveness policies in addition to their social justice importance.**

### California Labor Force Trends 2015-2030

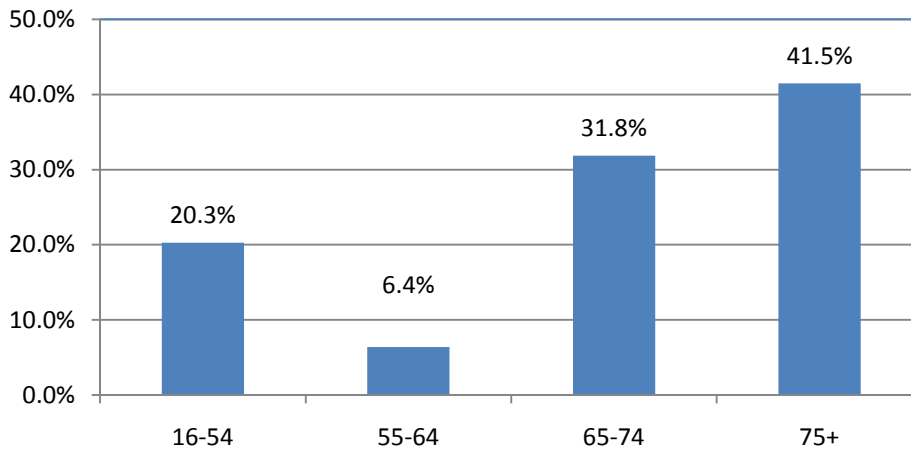


Let's look first at how these projections were derived and then at the implications for public policy.

## The State's Population is Aging Even as Older Workers Work Longer

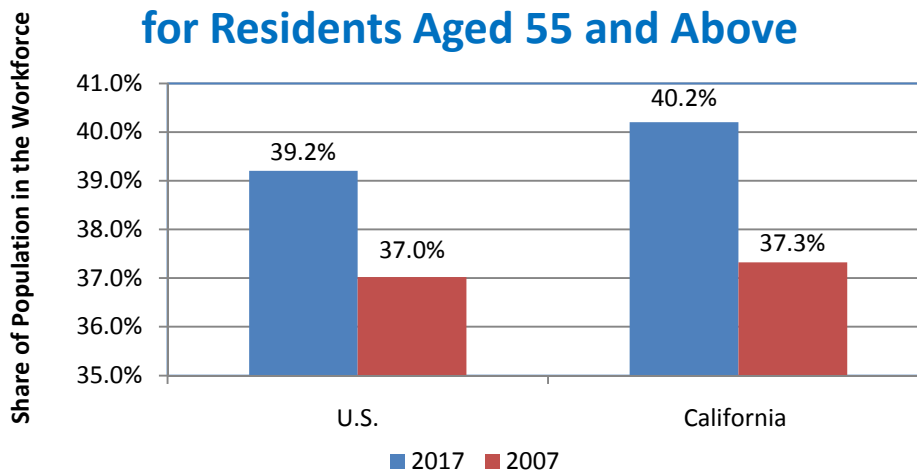
Nearly 80% of the state's working age population growth to 2030 projected by the California Department of Finance is in residents 55 and older and most of that is for residents aged 65 and above.

### Share of Growth in Population 16+ for 2015-2030



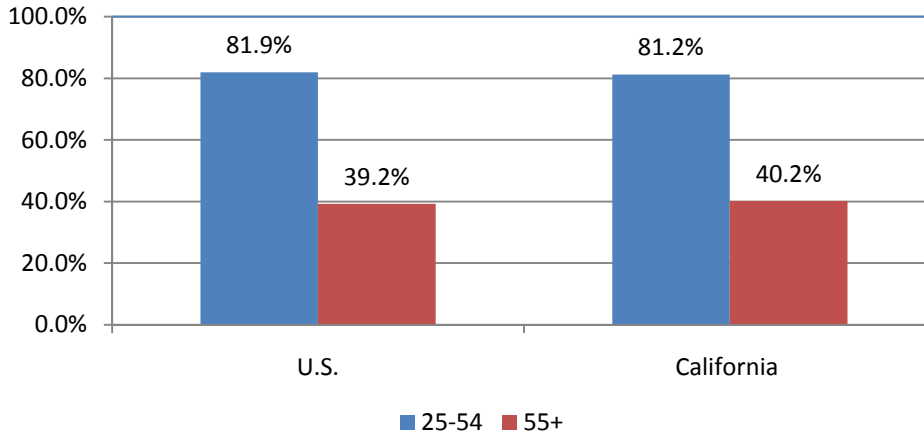
Labor force participation rates (the share of the population in the workforce) for older workers have risen and are expected to continue increasing.

### Labor Force Participation is Rising for Residents Aged 55 and Above



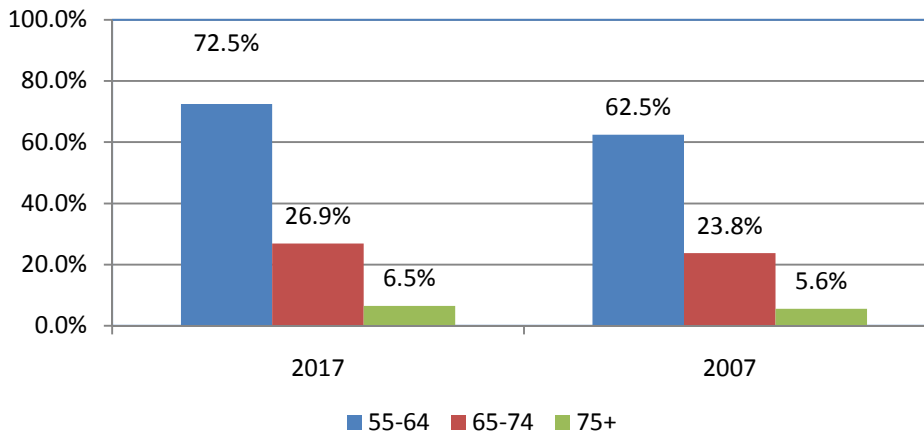
But this trend is offset by the fact that participation rates for workers aged 55 and above are far lower than those for workers aged 25-54.

## Participation Rates in 2017 Drop Sharply After Age 55



And participation rates decline sharply as workers reach age 65.

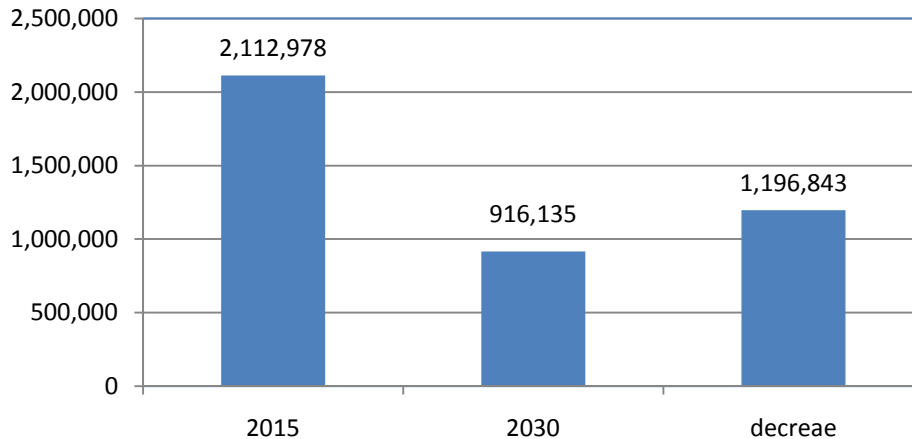
## Participation Rates Continue Falling as Residents Age in California



Here is an example of how the retirement projections were developed. The chart below shows the number of workers aged 50-54 in 2015. By 2030 these workers would be aged 65-69. Their labor force participation rate would decline from 80.0% in 2015 to 34.7% in 2030 even as participation for residents aged 65-69 increases from

30.3% to 34.7%. The result is a projected retirement of 1.2 million workers by 2030.

### Retirement of California Workers Aged 50-54 in 2015



The number of new entrants from the children in 2015 was projected by assuming they would participate in 2030 at the same rate as in 2017. The number of new jobs comes from existing CCSCE projections. These projections could vary but any variations are unlikely to change the major findings.

Labor force participation rates could rise faster than projected, reducing the number of retirees and increasing the number of today's children in the workforce in 2030. Job and population growth could be higher or lower than projected but these changes would not affect the net workers shortage much if at all

### **Policy Implications**

Where might the 3 million additional workers come from?

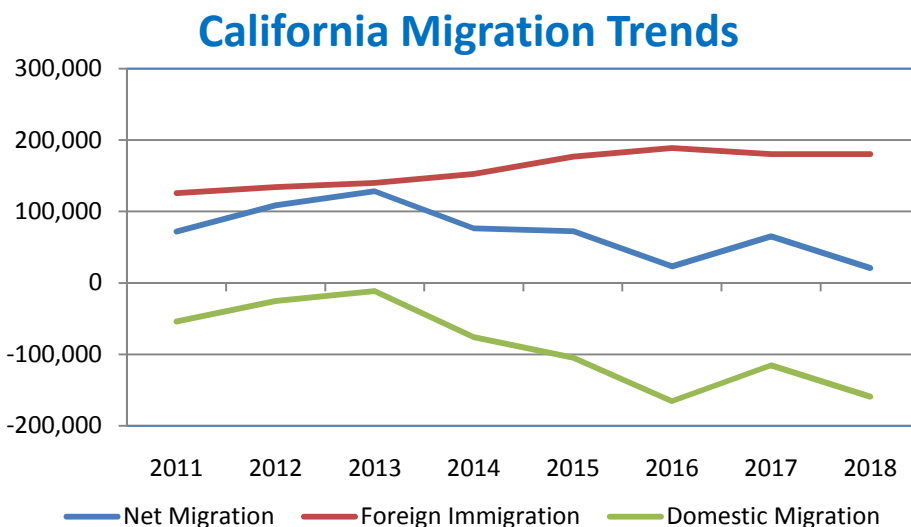
A part of the 3 million has already occurred thanks to falling unemployment and rising labor force participation between 2015 and 2018. Reduced unemployment added approximately 350,000 workers. And increased labor force participation rates added more than 400,000 workers from the existing population.

But unemployment rates are unlikely to decline further from here to 2030. And some increase in labor force participation rates is already included in the projections, though even more is possible.

## Immigration and Housing Policies

The rest of the new workers will need to come from migration into the state from the rest of the country or abroad. Foreign immigration has been a steady contributor to California’s population and workforce growth but these levels alone if they were to continue are not quite enough to fill the projected workforce needs.

And the current evidence is that the administration is placing restraints on current legal immigration despite some words to the contrary. Other evidence is that foreign student enrollment in U.S. colleges (an indicator of future workforce intentions) is down as the country is no longer seen as welcoming immigrants.



But the foreign immigration trends are now almost completely offset by growing outmigration of California residents to other states. So the net growth from migration is now well below the levels needed to fill the job openings created by retirements and job growth. Moreover, while many immigrants come to work, not all do. So 200,000 immigrants a year does not translate into 200,000 additional workers.

The growing out migration is primarily the result of a lack of housing affordable to low and middle-income residents.

So in terms of numbers (finding enough workers), California needs national immigration policies that favor expanded workforce-based admissions at all skill levels.

And to make sure the workers can remain in California and decrease housing based out migration, California needs state, regional and local policies that provide strong incentives to build more housing and lower the cost of housing, particularly for low-income residents and the “missing middle”. This is the only way to diminish out migration and retain more low and middle –income workers and their families.

**California needs more housing affordable to residents at all income levels. This is one of many instances where an economic competitiveness and social justice agenda point in the same policy direction.**

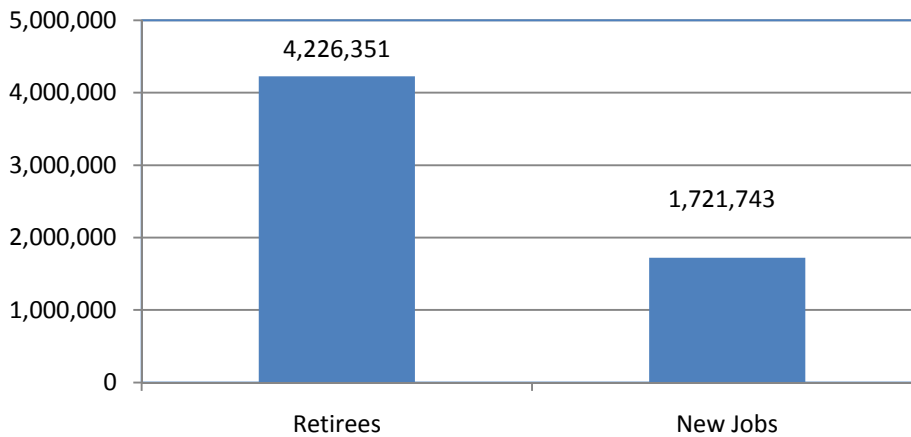
The need for reform in immigration and housing policies is discussed widely already and the purpose in this note is not to repeat a growing body of discussion and ideas. The point here is to make the connection between workforce and the economy and immigration and housing as, hopefully, another voice in promoting change.

### **Workforce Policy Implications**

More than 70% of job openings in California between 2018 and 2030 will come from the need to replace retiring workers not from job growth. And the diversity of job openings is largest among the replacement jobs. Some sectors like production jobs or administrative support jobs are likely to remain flat or decline, but retirements will provide job opportunities for residents and worker needs for employers.

This finding suggests a high priority in education/training efforts towards occupations and industries with the greatest number of job openings and opportunities.

## Most Job Openings Will Come From Replacing Retirees 2018-2030



Beyond the numbers there are substantial issues of skill match. The retirees include a large number of well educated workers and an even larger number of experienced workers. Even though the raw number of today's children who will enter the workforce by 2030 nearly matches the number of retirees, the skill and experience profiles do not match.

As with immigration and housing, there has been a lot written on how best to upgrade the skills of today's workforce and better prepare the next generation of workers.

The surge of interest in pre-school education is a hopeful sign but unlikely to have much impact before 2030.

Similarly, the emphasis on increasing college enrollment is a good objective, but it is also true that many of the replacement jobs do not require a four-year degree.

The replacement statistics support the objective of increasing post-secondary education and training with an emphasis on shorter, more focused training, certificates that meet industry standards and programs like apprenticeships.

One large area of opportunity is improving opportunities for unauthorized immigrants already living in California.

The latest Pew Research Center estimates count 2.2 million unauthorized immigrants in California in 2016. While that is down more than 500,000 from the peak, it is still a large number and accounts for roughly 1.4 million California workers and some additional number of Dreamers not yet in the workforce.

Bringing these residents out of the shadows will encourage more to join the workforce, better utilize the skills and experience they already have and encourage more to acquire skills that can help replace retiring workers and improve their economic well-being.

### **Data Sources**

The labor force participation rate estimates come from the American Community Survey. The projected increases for workers aged 55 and above were developed by CCSCE based on national trends projected by the U.S. Bureau of Labor Statistics. The state population estimates and projections by age group come from projections published by the California Department of Finance in 2017. The job estimates for 2015-2018 come from the California Employment Development Department. The state job projections were developed by CCSCE in 2018.