

January 2020

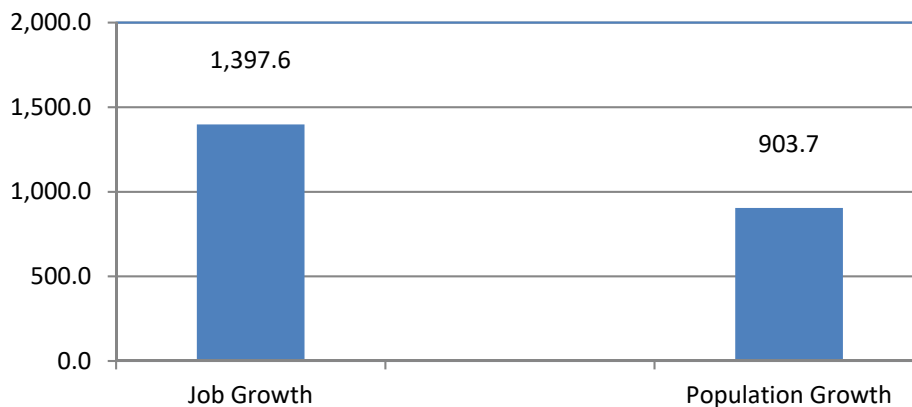
The Job and Population Growth Paradox—Is there an Explanation?

The California Department of Finance (DOF) released new population growth estimates for the state and counties in December 2019. The estimates show a sharp slowdown in population growth driven by increasing domestic out migration and falling birth levels. At the same time the state Employment Development Department (EDD) job estimates show continuing job growth throughout most of the state.

These two sets of estimates show a paradox and raise questions as to how these data could be consistent.

In California in 2019 there are just over 2 residents for every job. Yet in the past four years (July 2015—July 2019) job growth has far outpaced population growth as shown below. The state added approximately 1.4 million jobs and 900,000 residents or just over 1.5 jobs for every added resident. The just released Census Bureau estimates show an even lower population growth of 594,000 for this period.

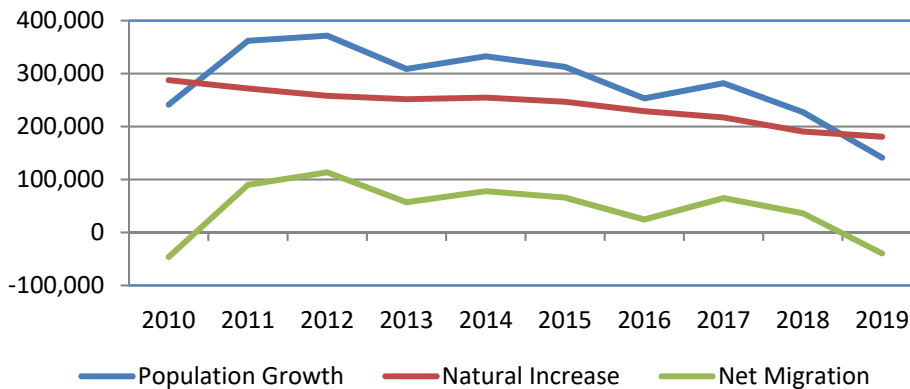
Job and Population Growth (Thousands) July 2015--July 2019



This Numbers in the News explores whether there is a consistent and credible explanation for these recent job and population growth trends.

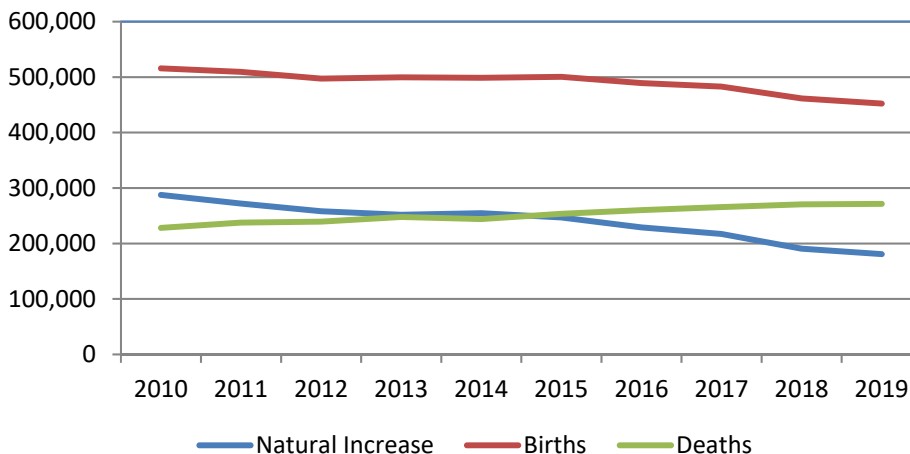
First, though, the memo reviews the recent DOF population estimates. Annual population growth fell from over 350,000 in the early years of the decade to under 150,000 between July 1, 2018 and July 1, 2019. Natural increase (births minus deaths) fell from near 300,000 a year to under 200,000 in the 2018-19 estimate. And net migration has gone from positive to negative for the first time since the 2007-2010 recession.

California Population Trends



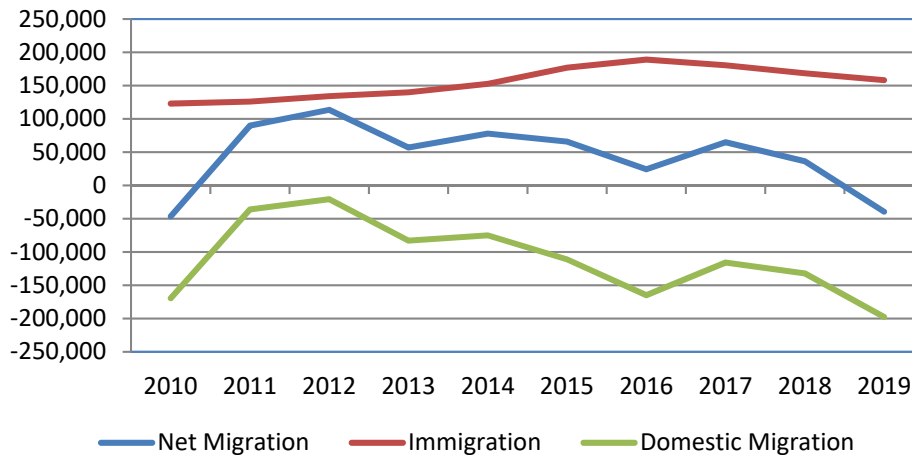
The annual contribution of natural increase declined as births fell and deaths rose throughout the decade. This trend is expected to continue as birth rates have fallen and the population is aging.

Natural Increase Trends



The DOF estimates show a slow decline in immigration in recent years (the Census Bureau estimates show even lower immigration levels in California). And domestic migration estimates show growing net out migration.

California Migration Trends



The Paradox of High Job Growth and Low Population Growth

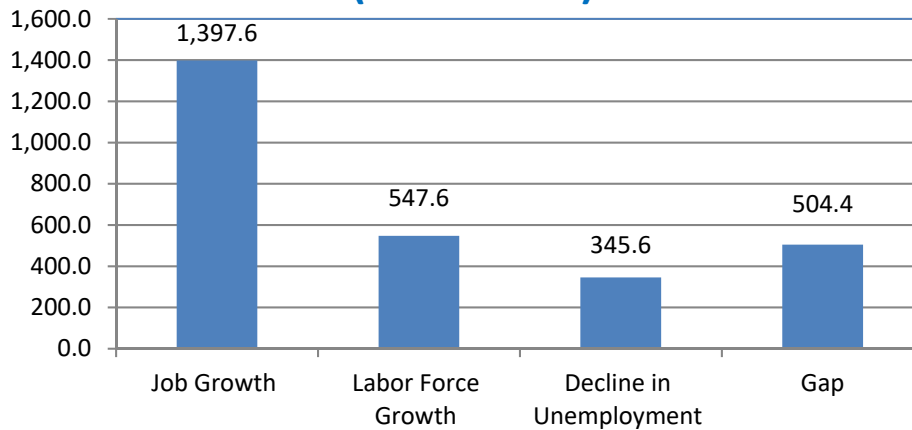
If jobs are growing rapidly and population growth is slowing, where did the workers come from? For the state there are three sources of added jobs—labor force growth, declining unemployment and an increase in workers with more than one job. There is no evidence of an increase in the number of multiple job holders though there could be undercounting of gig workers. However the job data cited below exclude self employment so growth here, for example in gig workers, would make the job growth even higher and the paradox more difficult to explain. And there is no substantial in commuting into the state except perhaps from Tijuana into San Diego County.

During this period the state added nearly 1.4 million jobs (not counting gains in self employment). The labor force increased by 547,600 from population growth and higher labor force participation rates as more people needed to and more people could find jobs and come back into the workforce. And the number of unemployed residents declined by 345,500. These are both positive trends but there is still an unexplained gap of more than 500,000 workers.

Where did they come from? Is there any explanation for the gap or are there errors in the job and population estimates. While job estimates may come down a bit for the recent year, the overall growth is solidly based in employer tax returns. And both DOF and the Census Bureau agree that the state's population growth is slowing.

I am interested in whether readers have an explanation and also interested if staffs at DOF and EDD have looked at their data this way and have thoughts on the apparent paradox.

California July 2015--July 2019 (Thousands)

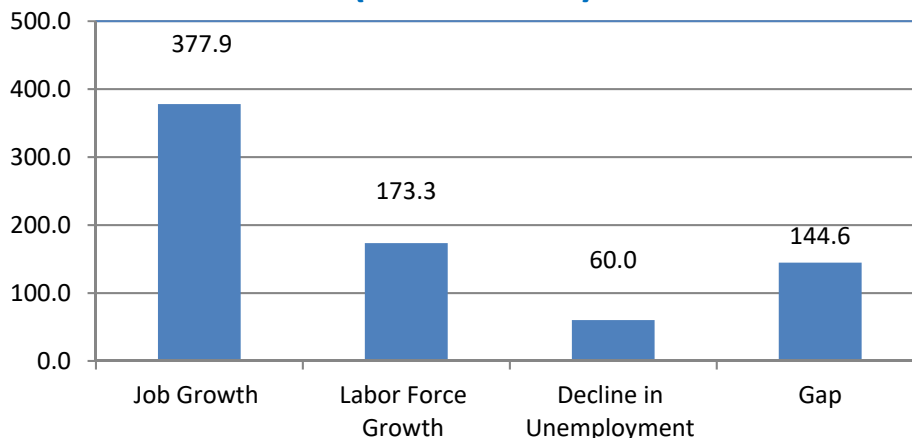


Let's now look at the state's largest two regions—Southern California and the Bay Area. The same trends show up in the relationship of job and population growth.

The Bay Area added 377,900 jobs between July 2015 and July 2019. Labor force growth of 173,300 driven by increasing participation from existing residents and a decrease in unemployment of 60,000 during this period accounted for much but not nearly all of the job growth. There is an unexplained gap of 144,600 jobs. Where did these workers come from?

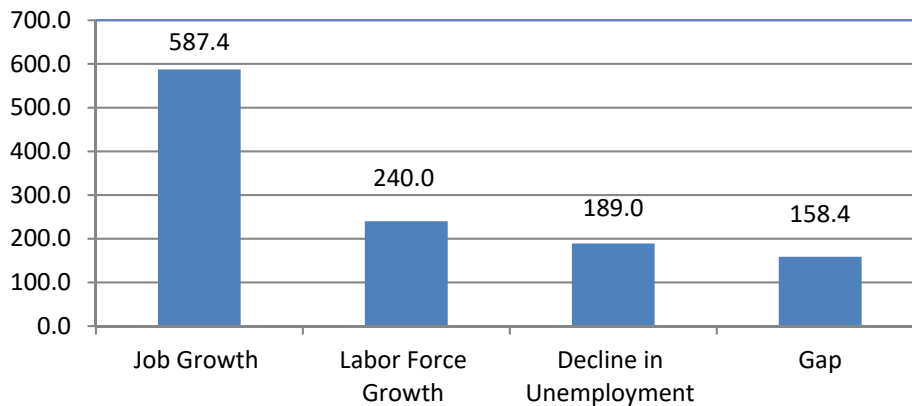
Increased commuting from adjacent counties could fill part of the gap but the Bay Area to the Sacramento region and nearby Valley counties is a small fraction of 144,600. So there is still a large unexplained gap.

Bay Area July 2015--July 2019 (Thousands)



In Southern California there was a large (189,000) decrease in unemployment as the region joined the state job recovery. The labor force grew by 240,000. But jobs grew even more totaling 587,400 added jobs during this period. This leaves an unexplained gap of 158,400 and it is not likely that many people commuted into the region though some in southern Riverside County may commute out to San Diego County.

LA Basin July 2015--July 2019 (Thousands)



I am interested to hear from readers if they see additional explanations that make the job and population growth estimates consistent.

One thing is true going forward. With unemployment rates low and a limited scope for bringing additional residents into the workforce, future job growth now projected in most regions will require new residents and that, in turn, will require policies (immigration and housing come to mind) that will welcome new residents and workers to the state.