

California's Demographic Future

Hans P. Johnson

Presentation at the Congressional California Delegation Retreat
Rancho Mirage, CA
December 5, 2003

**Public
Policy
Institute of
California**

The Public Policy Institute of California (PPIC) is a private operating foundation established in 1994 with an endowment from William R. Hewlett. The Institute is dedicated to improving public policy in California through independent, objective, nonpartisan research.

PPIC's research agenda focuses on three program areas: population, economy, and governance and public finance. Studies within these programs are examining the underlying forces shaping California's future, cutting across a wide range of public policy concerns, including education, health care, immigration, income distribution, welfare, urban growth, and state and local finance.

PPIC was created because three concerned citizens – William R. Hewlett, Roger W. Heyns, and Arjay Miller – recognized the need for linking objective research to the realities of California public policy. Their goal was to help the state's leaders better understand the intricacies and implications of contemporary issues and make informed public policy decisions when confronted with challenges in the future.

David W. Lyon is founding President and Chief Executive Officer of PPIC. Raymond L. Watson is Chairman of the Board of Directors.

Copyright © 2003 by Public Policy Institute of California
All rights reserved
San Francisco, CA

Short sections of text, not to exceed three paragraphs, may be quoted without written permission provided that full attribution is given to the source and the above copyright notice is included.

PPIC does not take or support positions on any ballot measure or on any local, state, or federal legislation, nor does it endorse, support, or oppose any political parties or candidates for public office.

Research publications reflect the views of the authors and do not necessarily reflect the views of the staff, officers, or Board of Directors of the Public Policy Institute of California.

Contents

Introduction	1
Historical Context	1
The Next Ten Years and Beyond	3
Population and Public Policy	5
References	7

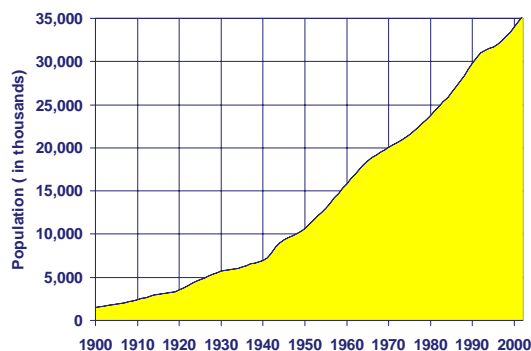
Introduction

California may well be on the verge of a new demographic era. Strong population growth rates, almost a defining characteristic of California, can no longer be assumed. The key question for prognosticators is whether California will become the next demographic New York – a place of slow population growth in which thousands of international migrants arrive each year while thousands of domestic migrants leave -- or whether California will return to the population growth patterns that have characterized so much of the state’s history, attracting both international and domestic migrants in large numbers. The answer to that question will determine both the pace and magnitude of future population increases in California. If California follows the path of New York, population growth in the state will continue to slow and will fall far below national levels. If California returns to its pre-1990s past, the state will experience rapid and formidable levels of population growth. The most likely scenario is that California’s future, at least over the next couple decades, lies somewhere between the California of the past and the New York of today. The state will continue to experience substantial population growth through international migration and natural increase (the excess of births over deaths), but will no longer experience large gains from flows of domestic migrants.

Historical Context

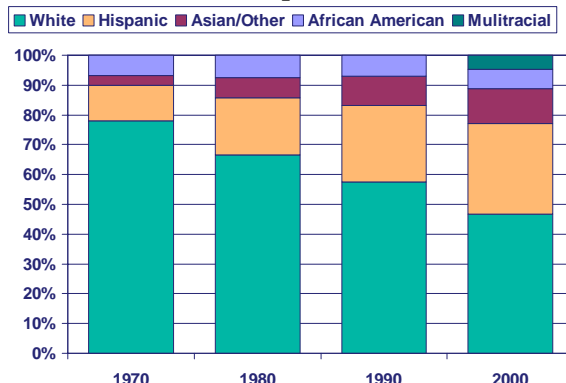
During the 20th century, no other developed region of the world experienced population growth rates as great as California’s. Since 1960, the state’s population has more than doubled, reaching 35 million people (Figure 1). California’s population exceeds that of all but 32 countries and is larger by several million than Canada’s population. Some time in the next ten to twenty years, the population of California is likely to surpass that of Spain. Equally remarkable has been the diversity of California’s population growth. As recently as 1970, four of every five Californians were non-Hispanic white; by 2000, no race or ethnic group constituted a majority of the state’s population (Figure 2). The vast majority of California’s population increases occurred among Asian and Latino populations. By 2000, one in four Californians was foreign-born. California is home to sizable populations of immigrants from over 60 different countries, making the state’s population arguably the most diverse in the world.

Figure 1.
California’s Population,
1900-2002



Source: California Department of Finance

Figure 2
Racial/Ethnic Composition of
California’s Population, 1970-2000

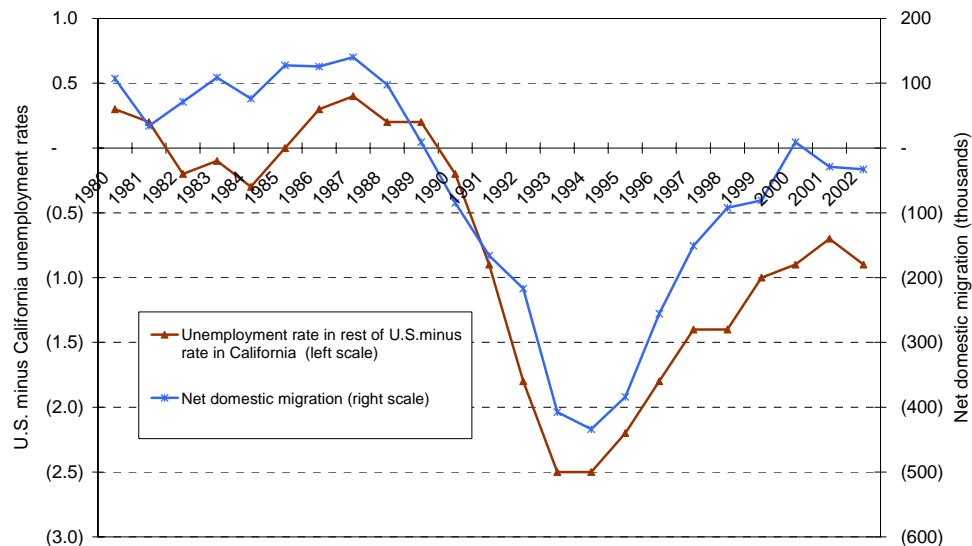


Source: Decennial censuses

The 1990s were a sharp departure from California’s historic record of tremendous population growth. During the 1990s, the state grew only a little faster than the rest of the nation (13.8 percent versus 13.1 percent); for the first time since the 1850s, New York City had a faster growth rate than Los Angeles. For at least a dozen decades prior to the 1990s, California experienced strong population growth from both domestic and international migration. The relative importance of the two types of migration flows varied, but both had always been substantial and positive – that is, with many more people moving *to* California than *from* California, both domestically and internationally. During the 1990s, however, about two million more people moved from California to other states than came from other states to California. Much of the outflow occurred in the early 1990s and originated from Los Angeles. However, losses due to domestic migration were more than offset by international migration and natural increase, both of which remained at high levels, so the state continued to gain population.

Most interstate migrants to and from California move for jobs. The domestic migration outflows of the 1990s were clearly related to the economy. The recession of the early 1990s lasted longer and was deeper in California, especially in Los Angeles, than in the rest of the nation. California’s unemployment rate peaked in 1993 at 9.4 percent, compared to 6.9 percent for the nation. Domestic migration flows out of California exceeded 400,000 people in 1993 and again in 1994 when the unemployment rate differential remained large (Figure 3). As the state’s economy improved in the late 1990s, the flow out of the state abated. Today, domestic flows out of the state are nearly offset by domestic flows into the state.¹

Figure 3
Unemployment Rate Differences and
Net Domestic Migration



Source: California Employment Development Department, California Department of Finance, U.S. Census Bureau

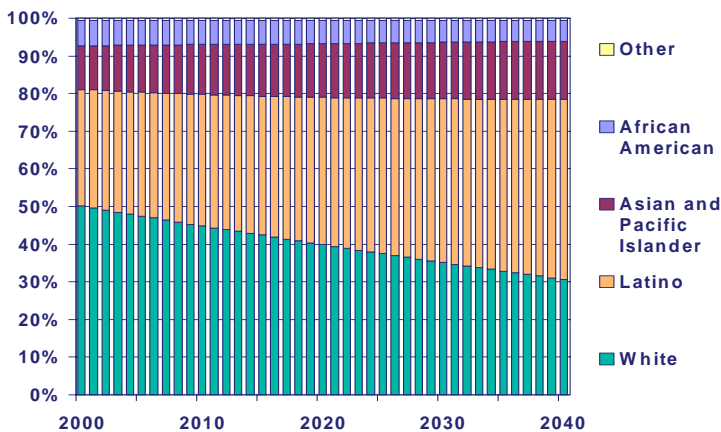
¹ The California Department of Finance estimates that net interstate migration is slightly positive, while the U.S. Census Bureau estimates that the flows are slightly negative.

The Next Ten Years and Beyond

Over the next ten years, the California Department of Finance projects that the state will gain almost 5 million people – less than the 6 million added during the 1980s but more than the 4 million added during the 1990s. Between 2005 and 2015, the U.S. Census Bureau projects gains of 7 million in their “preferred series” but only a little over 3 million in their “alternative series” (Campbell, 1996). These projections differ primarily due to their differing assumptions regarding domestic migration. This wide range of projections is an accurate reflection of the uncertainty over the state’s demographic future. Demographers at the University of California in Berkeley have attempted to quantify this uncertainty; they place the state’s growth over the next ten years at somewhere between 2 million and 7.4 million people with 95 percent confidence (Lee et al., 2003). The lowest projections assume that California will continue to lose large numbers of migrants to other states, while the highest projections assume the opposite. The most recent evidence indicates that the large domestic migration losses of the early 1990s have ceased, though the state has not returned to the positive flows of domestic migrants that characterize its past.

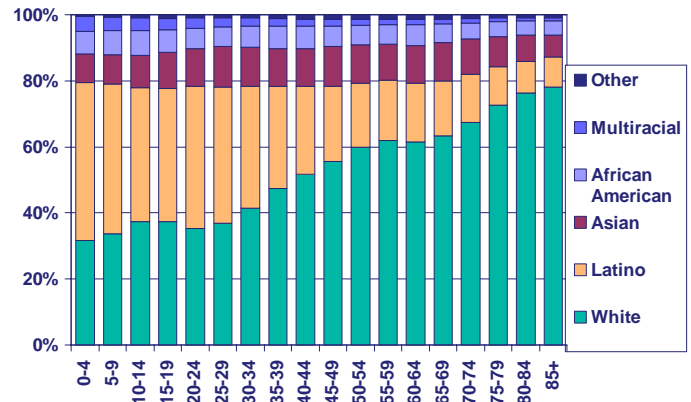
Some aspects of the state’s demographic future are more certain than others. For example, all of the projections assume that Latino and Asian population growth will continue to be strong and that the population of non-Hispanic whites will either increase very slowly or will actually decline. The California Department of Finance projections suggest that Latinos will become the single largest racial/ethnic group in California by 2021 and will constitute a majority of the population shortly after 2040 (Figure 4) . Already, Latinos are the single largest racial/ethnic group among Californians less than thirty years of age (Figure 5), and almost half of all births in California are to Latino mothers.

Figure 4
Projected Racial/Ethnic Composition of California, 2000-2040



Source: California Department of Finance

Figure 5
Racial/Ethnic Composition by Age in California, 2000

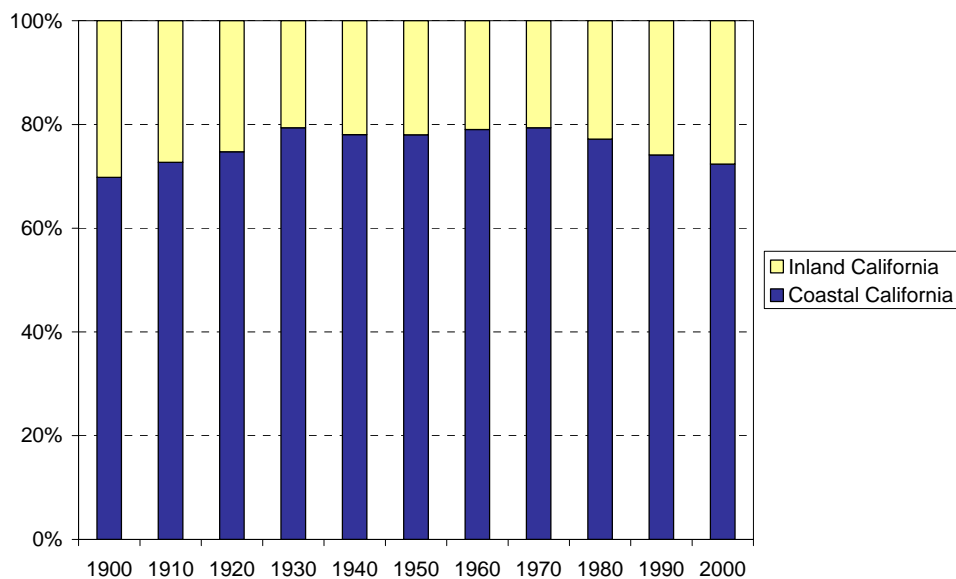


Source: 2000 decennial census

The continued aging of California's population is also certain. As the very large cohorts of the baby boom (people born between 1945 and 1964) begin to reach retirement age in 2011, the number of seniors in California will begin to rise dramatically. Between 2000 and 2020, the number of seniors in California should double (Lee et al., 2003). By 2030, about one in every five Californians will be over the age of 65 (Tafoya and Johnson, 2000). At the other age extreme, and of even greater importance to the state because of education expenditures, the child population of California is expected to change very little over the next ten years. As the relatively small baby bust generation has reached childbearing ages, the number of births in California has declined. Declines in fertility rates have also played a role, especially for Latinas; second-generation Latinas have much smaller families than their first-generation parents (Hill and Johnson, 2002). As a result, public school enrollment is projected to increase only 4 percent over the next ten years, a dramatic slowdown after the 21 percent increase of the past ten years (California Department of Finance, 2003).

Regional patterns of growth also seem fairly well set. Inland areas of the state have experienced faster growth rates than coastal areas for over thirty years, and thus their share of the state's population has grown (Figure 6). In particular, the Inland Empire, the San Joaquin Valley, and the Sacramento Metropolitan Area are projected to continue to experience the fastest growth rates in the state. Especially striking has been the Inland Empire. One of the fastest growing metropolitan areas in the United States for decades, this region now has a larger population than metropolitan Cleveland, San Diego, St. Louis, or Denver. Projections suggest its population could increase from 3.3 million in 2000 to 5.5 million by 2020.²

Figure 6
California's Population Distribution: Inland vs. Coastal



Source: Decennial censuses and California Department of Finance

² These projections are from the California Department of Finance. Projections by the Southern California Association of Governments suggest that the Inland Empire will not surpass 5.5 million residents until 2025 (Southern California Association of Governments, 2001).

Northern California has the makings of its own Inland Empire as population growth spills out of the Bay Area into the northern San Joaquin Valley. Over the past few years, growth rates in the northern San Joaquin Valley have rivaled those of the Inland Empire. Despite faster growth rates in inland areas of the state, the vast majority of Californians live in coastal or bayside counties, and the California Department of Finance projects that even by 2040 over 60 percent of the states' residents will live in coastal counties. Absolute population gains are projected to be as large in coastal California as in inland California, with San Diego experiencing strong gains and the Bay Area growing fairly slowly.

Finally, all of the projections assume continuing large flows of international immigrants to California. While the state's primacy as a destination lessened in the 1990s, California still remains the leading state of destination of international immigrants. Future flows of immigrants will largely be determined by U.S. immigration policy. Depending on its design, a new guest-worker program could lead to substantially larger flows than currently projected. Regardless, the size of California's second generation (U.S. born children of immigrants) will continue to increase and is likely to make up an increasing share of the state's population.

Population and Public Policy

Population growth itself and the characteristics of that growth have important implications for public policy. Almost every area of state concern is directly affected by population growth and change, from caseloads for social services to transportation infrastructure and environmental protection. Some population-based issues will be shared by all states. For example, the aging of the baby boom is a national phenomenon, and every state will be challenged to continue to provide services, including health care, for a large and growing population of senior citizens.

Other population issues are unique to California. Strong population growth in inland regions raises concerns that are specific to the state and those regions. Foremost among those concerns are the need to plan for and provide infrastructure while at the same time protecting agricultural land and the environment. The San Joaquin Valley already has one of the worst air pollution problems in the nation – second only to the Inland Empire – and continues to experience rapid population growth (American Lung Association, 2003). With high poverty rates and low levels of education, inland regions have comparatively few economic resources. In particular, the San Joaquin Valley has the highest poverty rates of any region of California and has double-digit unemployment rates even during the best of times. The challenges of providing social services, educational opportunities, and economic development to these regions will grow with their populations.

To a large extent, California's future is going to be determined by the success of the children and grandchildren of today's immigrants. Almost half of California's population consists of immigrants and their second generation descendants. Key to their economic outcomes will be educational progress. While many immigrants come to California with high levels of education, many more do not. Perhaps the most important issue facing California is ensuring that intergenerational progress with respect to education is strong. California's future depends on a well-educated highly skilled work force. California's unique demography means that much of tomorrow's work force are today's second generation children of immigrants.

California's demographic history is unique, full of surprises and tremendous change. Undoubtedly other, as yet unforeseen, population-based challenges will arise in California over the next few decades. And although California is often cited as a bellwether of the nation's demographic future, it is more likely that California will remain demographically distinct from the rest of the nation, and solutions to many of our problems will require a particular California understanding.

References

American Lung Association, *State of the Air: 2003*, available at lungaction.org/reports/stateoftheair2003.html, 2003.

California Department of Finance, *California Public K-12 Enrollment Projections by Ethnicity, 2003 Series*, Sacramento, California, October 2003.

California Department of Finance, *County Population Projections with Age, Sex and Race/Ethnic Detail*. Sacramento, California, 1998.

Campbell, Paul R., *Population Projections for States by Age, Sex, Race, and Hispanic Origin: 1995 to 2025*, U.S. Bureau of the Census, Population Division, PPL-47, 1996.

Hill, Laura E. and Hans Johnson, *Understanding the Future of Californians' Fertility: The Role of Immigrants*, Public Policy Institute of California, San Francisco, California, 2002.

Lee, Ronald, Timothy Miller, and Ryan Douglas Edwards, *The Growth and Aging of California's Population*, California Policy Research Center, University of California, Berkeley, California, 2003.

Myers, Dowell and John Pitkin, *Demographic Futures for California*, Population Dynamics Group, School of Policy, Planning and Development, University of Southern California, Los Angeles, California, 2001.

Southern California Association of Governments, *2001 Regional Transportation Plan*, Los Angeles, California, 2001.

Tafoya, Sonya M. and Hans Johnson, "Graying in the Golden State: Demographic and Economic Trends of Older Californians," *California Counts*, Vol. 2 No. 2, Public Policy Institute of California, San Francisco, California, 2000.

PUBLIC POLICY INSTITUTE OF CALIFORNIA

Board of Directors

Raymond L. Watson, *Chairman*

Vice Chairman of the Board
The Irvine Company

Edward K. Hamilton

Chairman
Hamilton, Rabinovitz & Alschuler, Inc.

Walter B. Hewlett

Director
Center for Computer Assisted Research
in the Humanities

David W. Lyon

President and CEO
Public Policy Institute of California

Cheryl White Mason

Chief, Civil Liability Management
Los Angeles City Attorney's Office

Arjay Miller

Dean Emeritus
Graduate School of Business
Stanford University

Ki Suh Park

Design and Managing Partner
Gruen Associates

Constance L. Rice

Co-Director
The Advancement Project

Thomas C. Sutton

Chairman & CEO
Pacific Life Insurance Company

Cynthia A. Telles

Department of Psychiatry
UCLA School of Medicine

Carol Whiteside

President
Great Valley Center

Advisory Council

Mary C. Daly

Research Advisor
Federal Reserve Bank of San Francisco

Clifford W. Graves

General Manager
Department of Community Development
City of Los Angeles

Elizabeth G. Hill

Legislative Analyst
State of California

Hilary W. Hoynes

Associate Professor
Department of Economics
University of California, Davis

Andrés E. Jiménez

Director
California Policy Research Center
University of California
Office of the President

Norman R. King

Executive Director
San Bernadino Associated Governments

Daniel A. Mazmanian

C. Erwin and Ione Piper Dean and Professor
School of Policy, Planning, and Development
University of Southern California

Dean Misczynski

Director
California Research Bureau

Rudolf Nothenberg

Chief Administrative Officer (Retired)
City and County of San Francisco

Manuel Pastor

Professor, Latin American & Latino Studies
University of California, Santa Cruz

Peter Schrag

Contributing Editor
The Sacramento Bee

James P. Smith

Senior Economist
RAND

PUBLIC POLICY INSTITUTE OF CALIFORNIA

500 Washington Street, Suite 800 • San Francisco, California 94111

Phone: (415) 291-4400 • Fax: (415) 291-4401

www.ppic.org • info@ppic.org