

# **Challenges and Opportunities of Rapid Economic and Demographic Change**

**Tom Gillaspay, PhD  
Gillaspay Demographics  
March 2013**

# **The Demographic History Of The U.S. After World War II**

- **Roller coaster births--big differences in generation sizes**
- **Rapidly expanding workforce (youth and women)**
- **Suburban growth--central city and rural decline**
- **Sunbelt growth at the expense of the Northeast and Midwest**
- **Increasing diversity across many dimensions**

# It Seemed These Trends Would Last Forever-- And Then 2008!

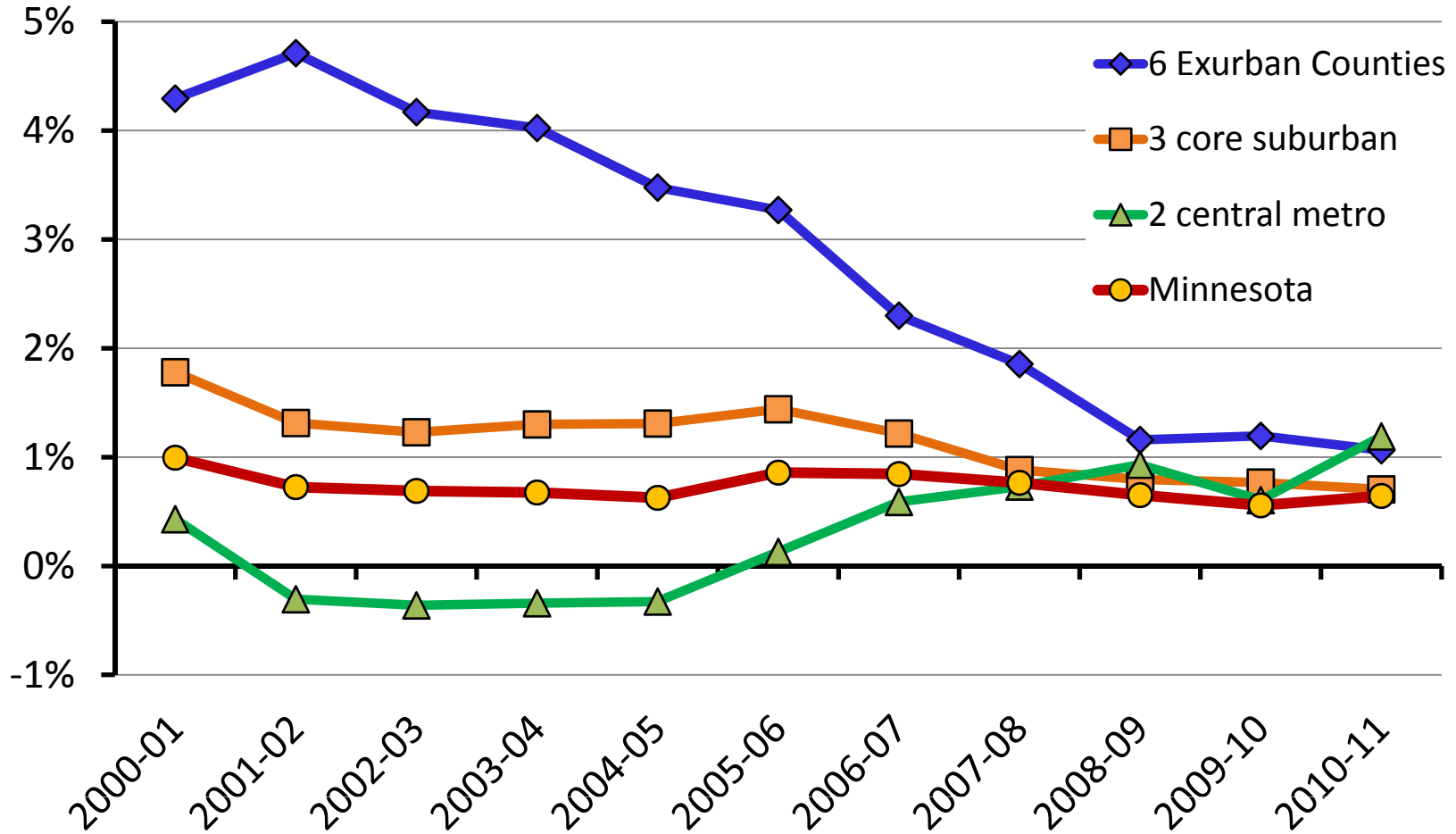
- **The Great Recession**

- Housing market collapse—rapidly growing area quit growing
- Weak balance sheets and hidden risks exposed
- Labor market upended, delaying much consumption activity.

- **The Gray Tsunami**

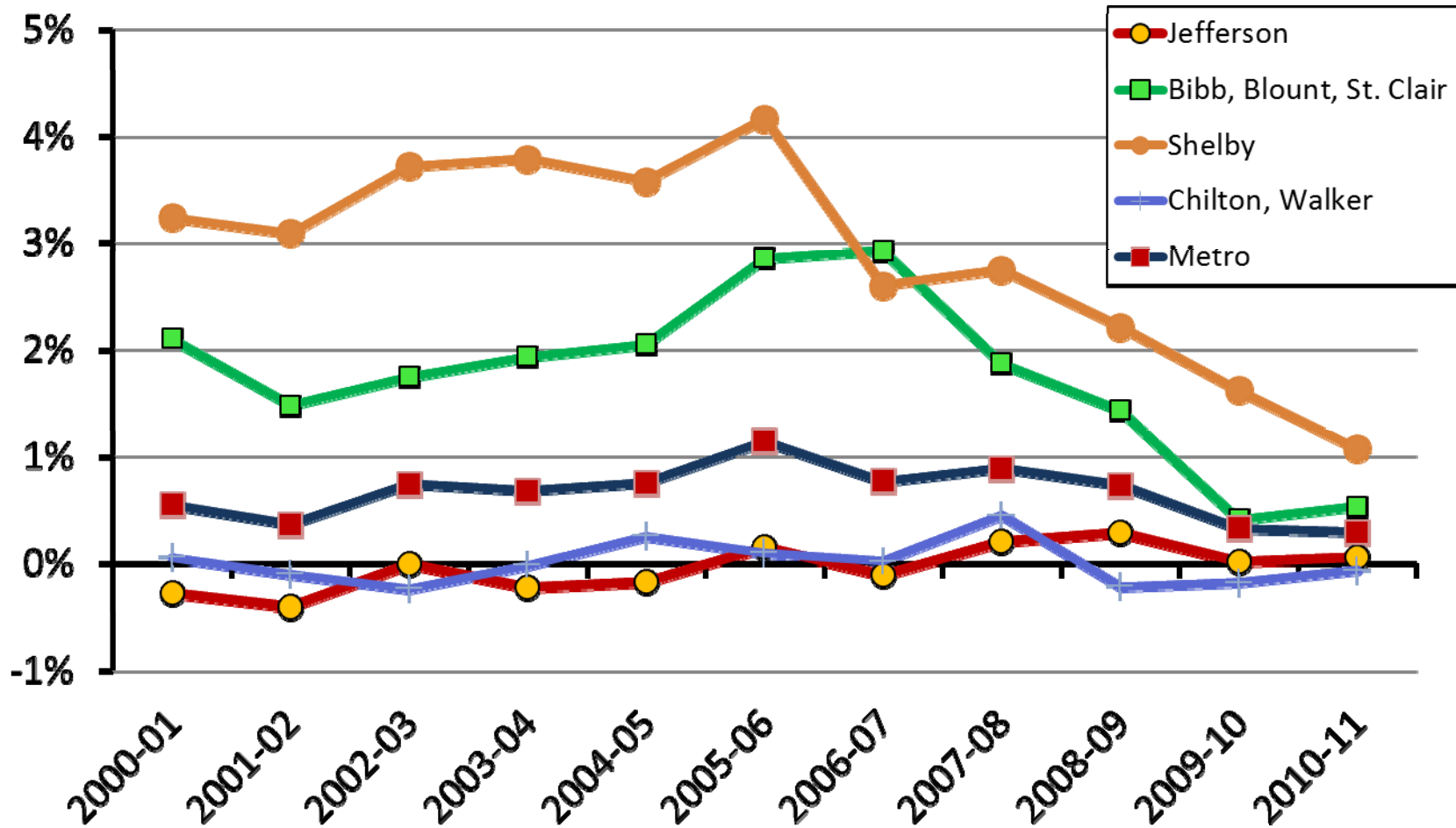
- Government debt issues exposed
- Will increase the demand for government services while limiting growth of revenue
- Will contribute to slower economic growth and slower growth in rapidly growing areas.

# Convergence of Population Growth Rates



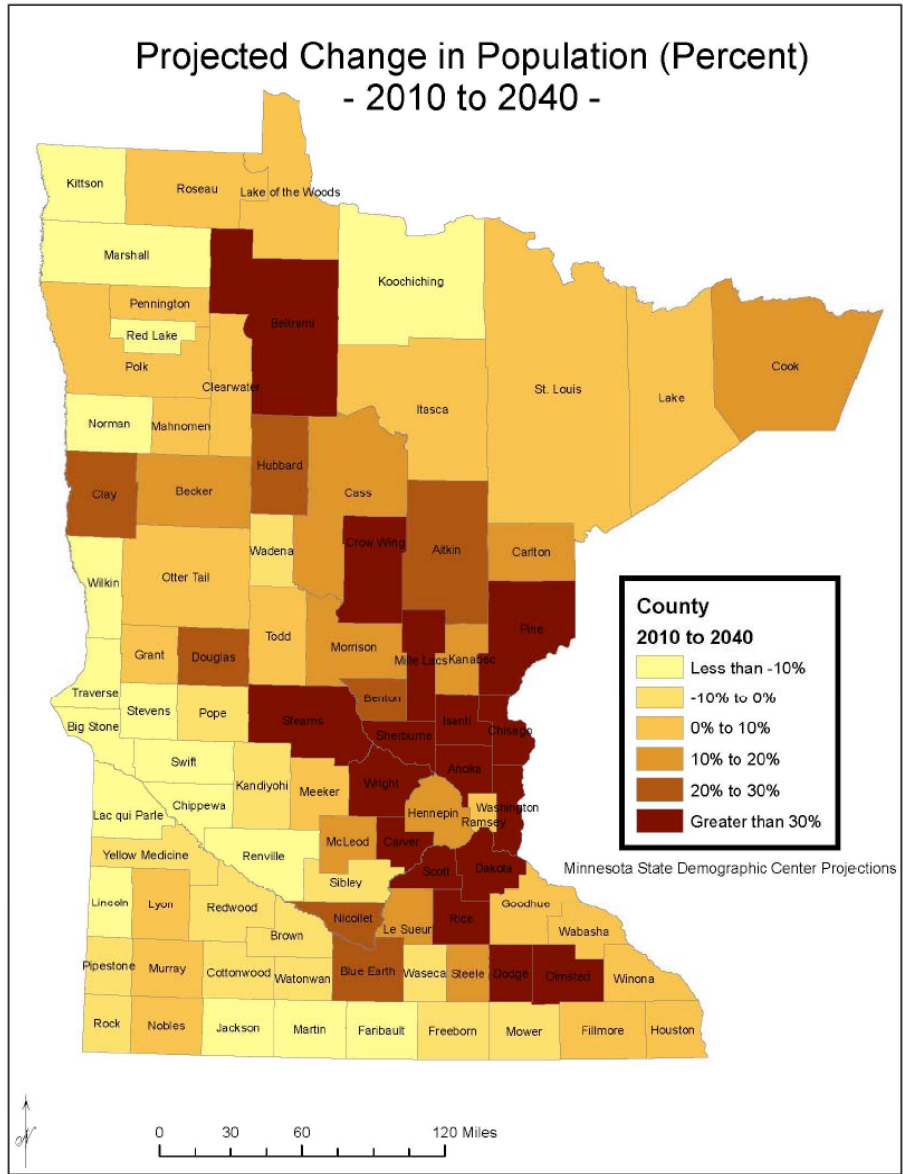
Census Bureau estimates, 2000-09 aligned with 2010 Census

# Convergence of Population Growth Rates



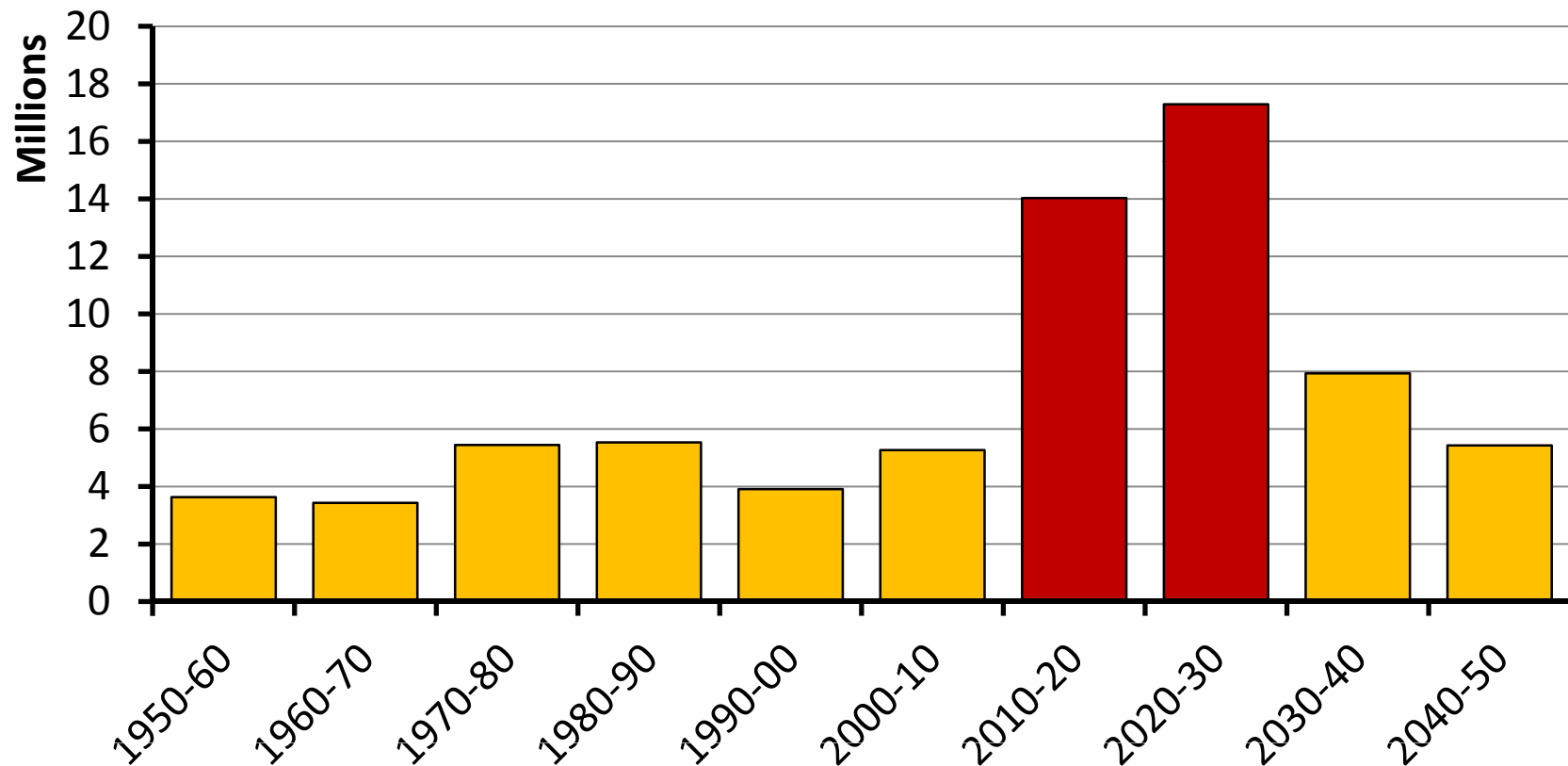
Census Bureau intercensal and annual estimates

## Projected Change in Population (Percent) - 2010 to 2040 -



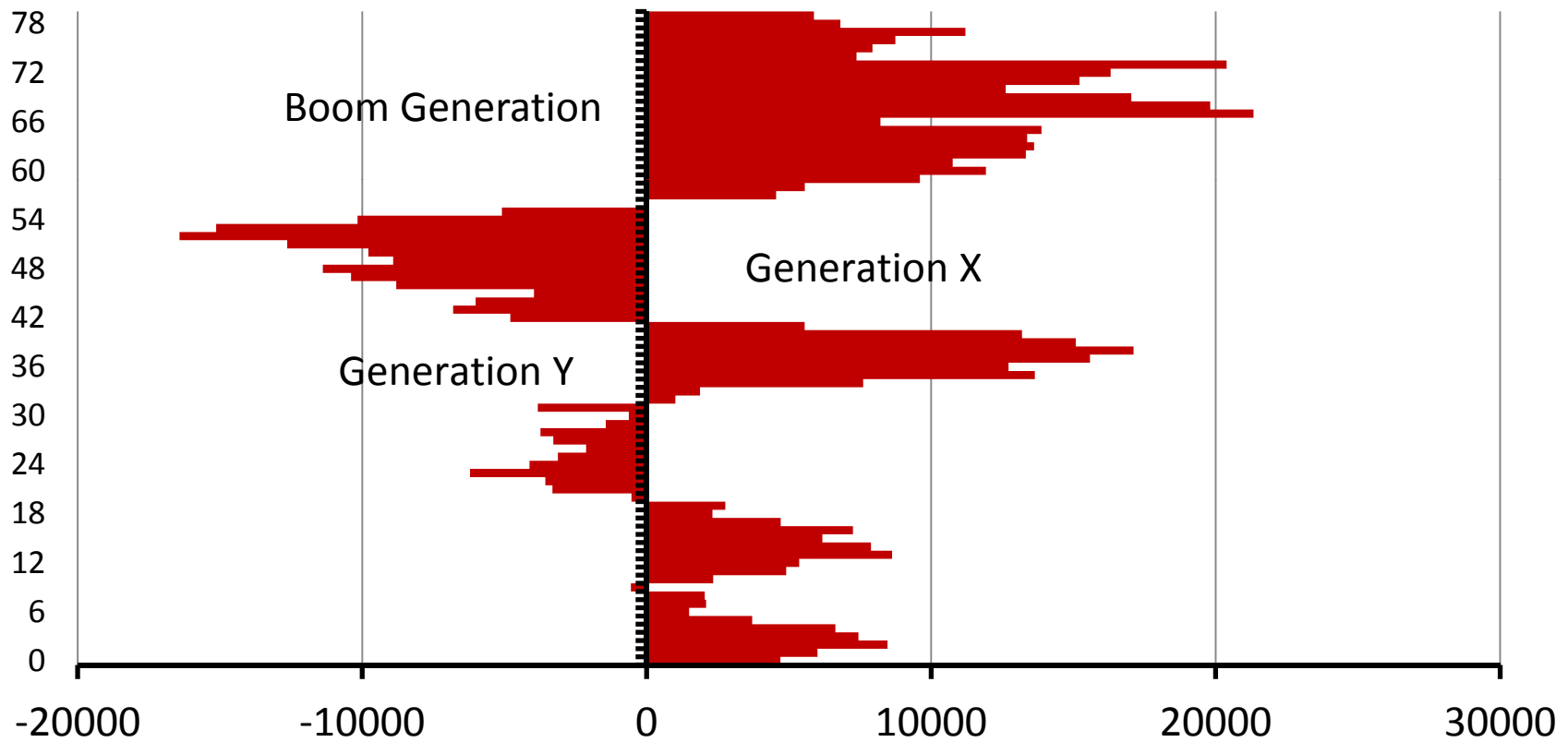
Source: Mn State Demographer

# This Decade, The United States Will Add As Many People 65+ As We Have In The Past Three Decades Combined



Census Bureau forecast Dec 2009, constant immigration

# Minnesota Projected Population Change 2013 to 2020 By Single Year Of Age





# Generations In The United States

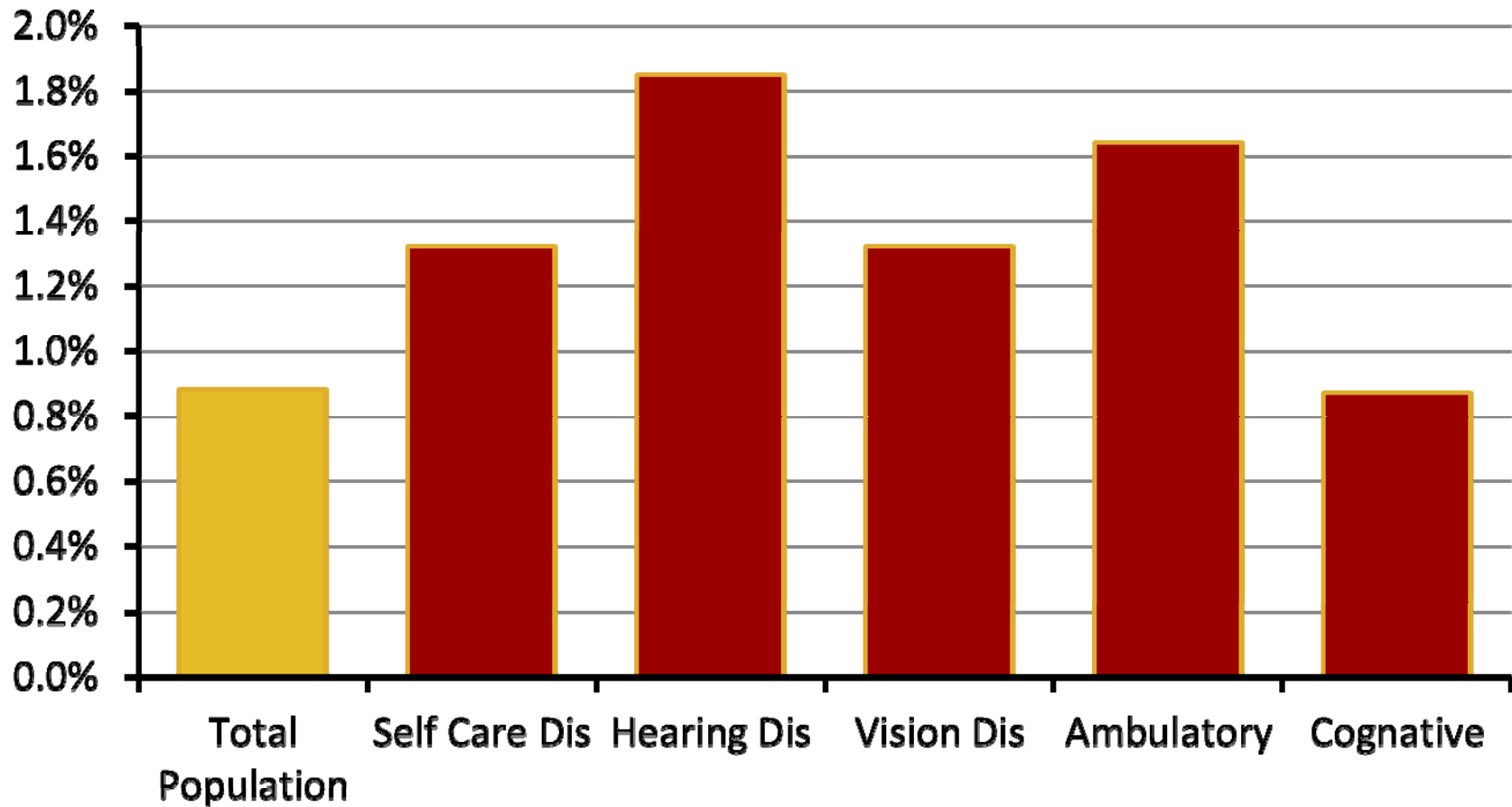
Common Usage Has Some Variations In Dates

Generation Name	Birth Years	Age in 2013
Generation Z?	2000-today	13 and Under
Millennial or Gen Y	1980-2000	14 to 33
Generation X	1965-1979	34 to 48
Baby Boom	1946-1964	49 to 67
Late Boom	1955-1964	49 to 58
Early Boom	1946-1954	59 to 67
Silent Generation	1925-1945	68 to 88

# Millennials Appear To Be Different On Some Important Dimensions Related To The Use Of Space

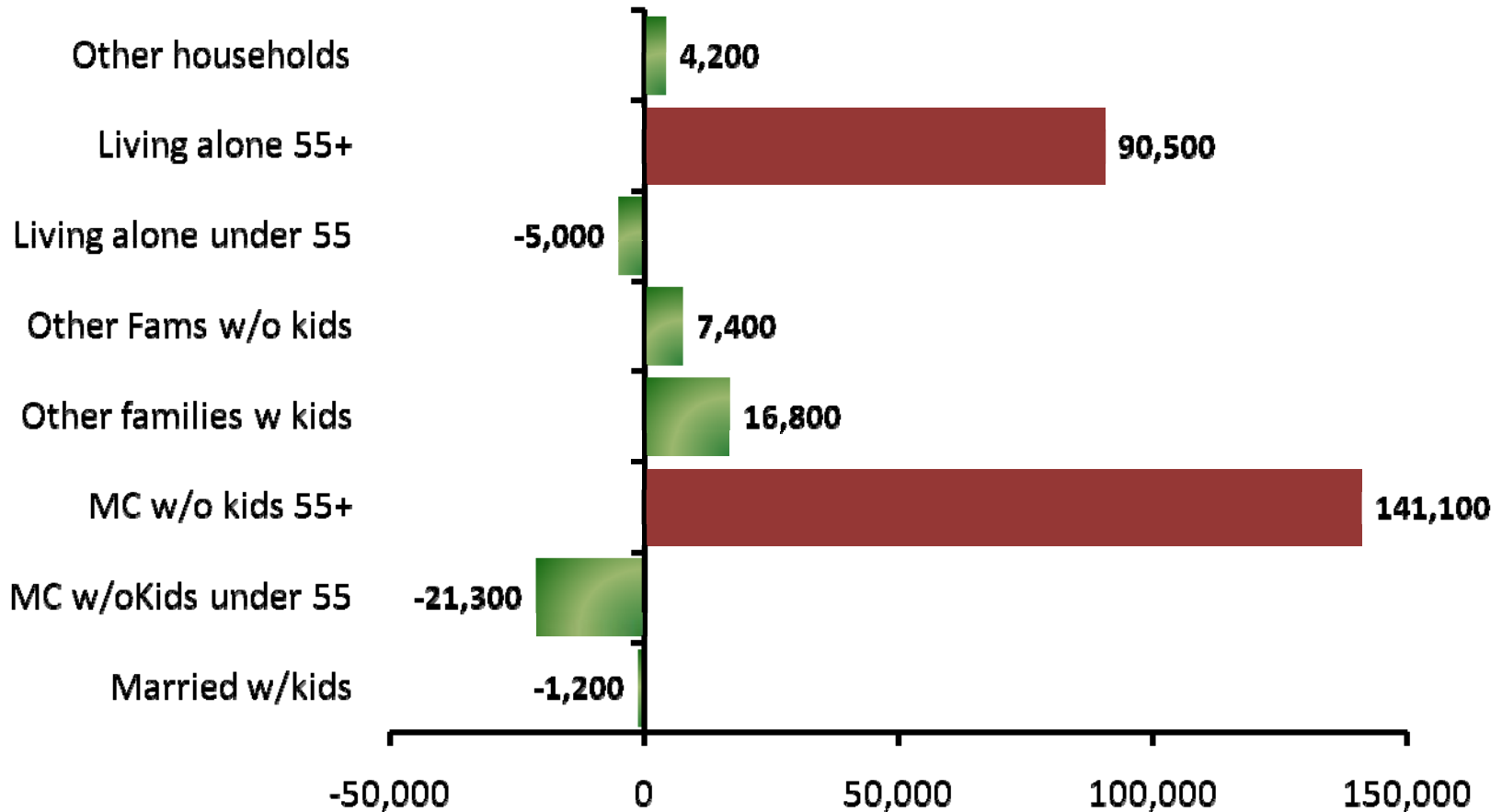
- Interested in smaller houses with less maintenance
- Less commuting time
- Different work relationships
  - 1099ers
  - More time, location flexibility

# Projected Average Annual Growth 2010-20 In Selected Disabilities--Minnesota



# Most Minnesota Household Growth 2010-20 Will Be Older Empty Nesters And Older Living Alone

By 2020, empty nesters will be the largest type of family

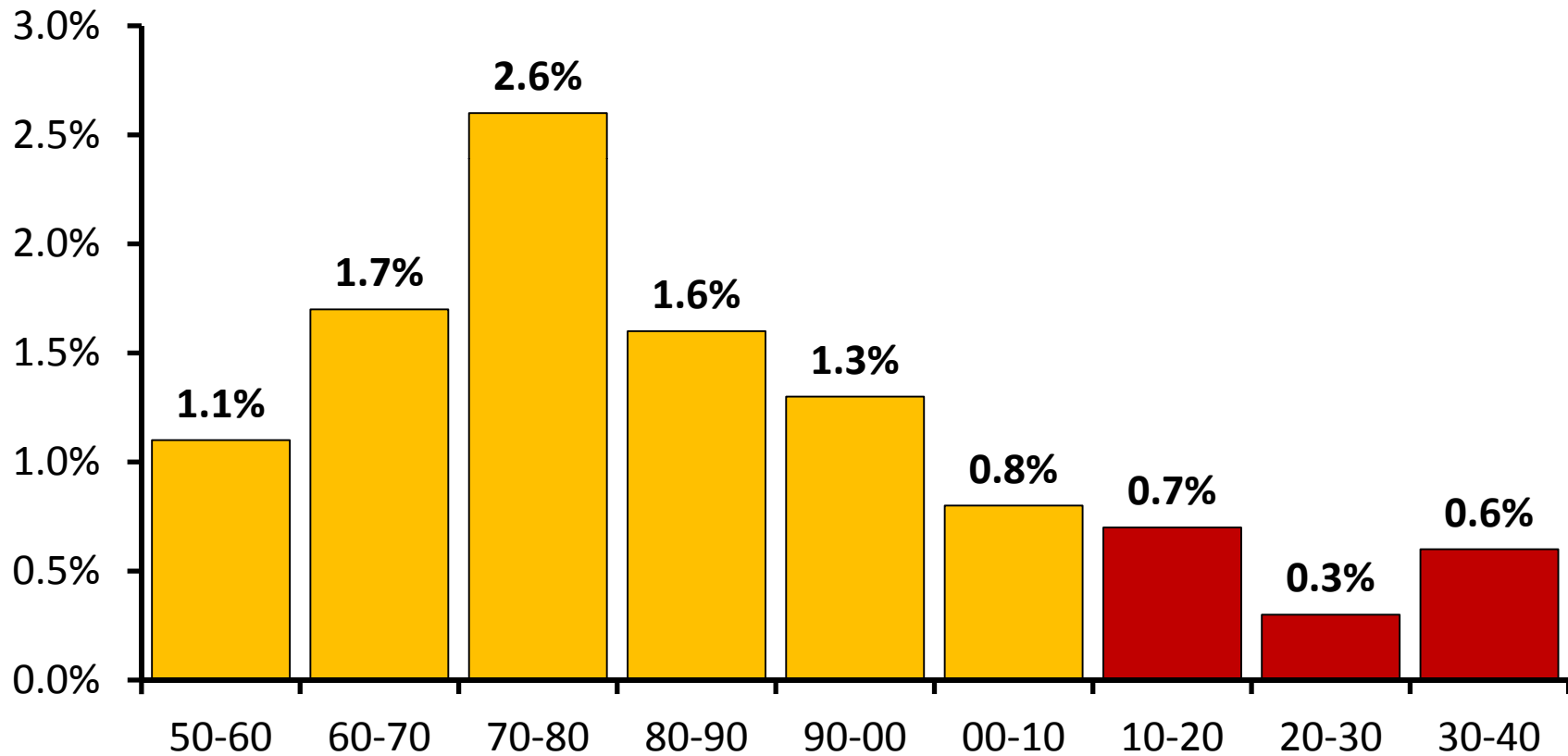


Minnesota State Demographic Center projection

[WWW.GILLDEM.COM](http://WWW.GILLDEM.COM)

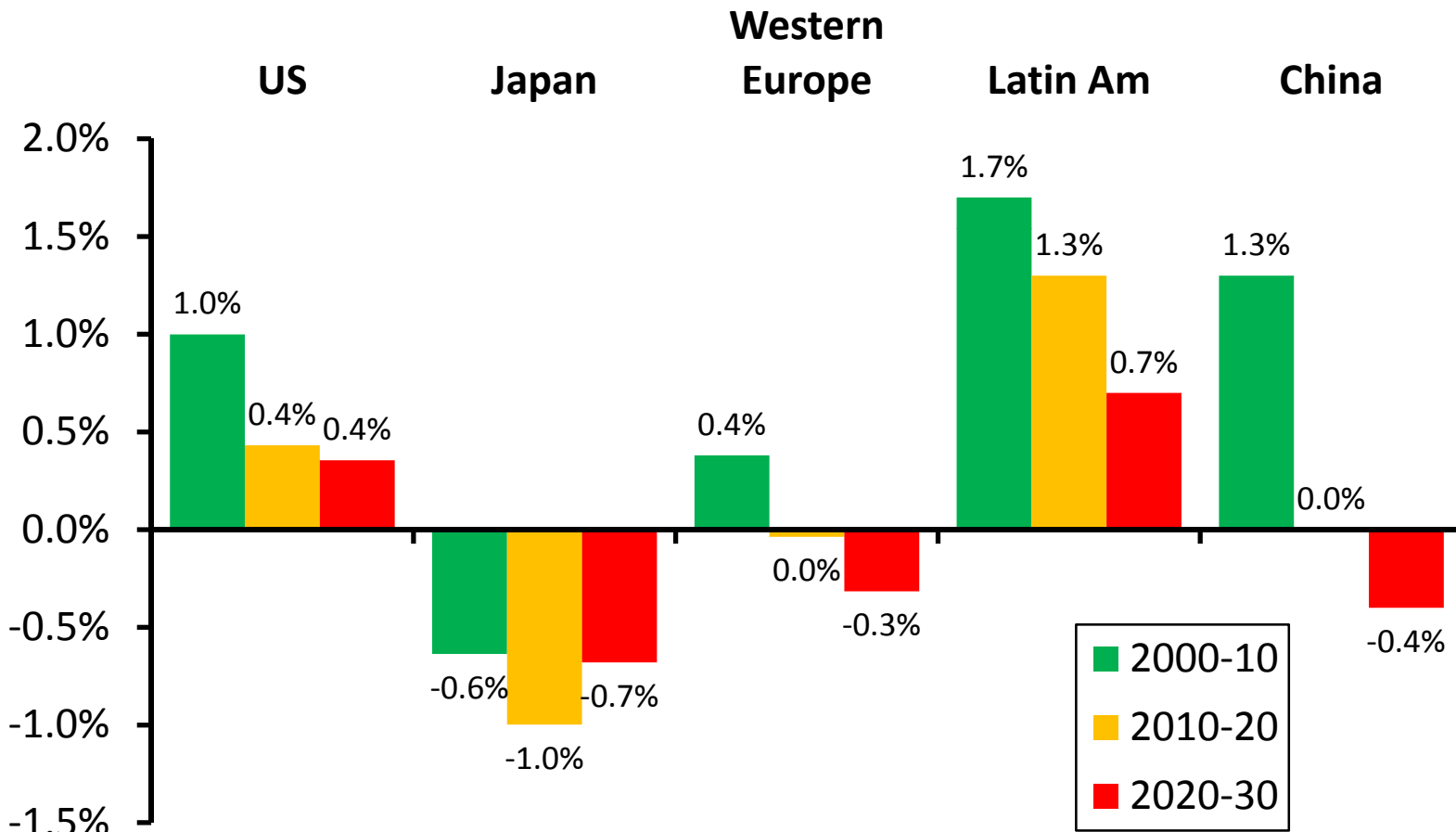
# US Labor Force Growth Will Be At Record Low Levels By The End Of This Decade

Annual Percent Change



US Bureau of Labor Statistics forecast

# Growth Of The Working Age Population Is Slowing Or Declining In Most Industrialized Nations Which Will Be A Drag On Economic Growth



US Census Bureau International Data Base

# The “New Normal” Probably Means

- Slower global economic growth
- Interest rates will rise
- The land/rent gradient will shift
- Talent will be the scarce resources
- A single-minded focus on productivity
- Governments will worry about how to pay for past promises
- Government service cuts, courtroom delays, permitting delays
- More frequent disruptive events/innovations with larger impact on business
- A whole new set of challenges and opportunities
- Some will fall due to the *Tyranny of Success*. New economic leaders will emerge

# Productivity Is Not Just Making Things Cheaper

- Productivity is also
  - ➡ Making things better—**Quality**
    - *Examples; the best implantable devices made, glue that always performs to standards, lower incidence of MRSA in hospitals*
  - ➡ Making better things—**Innovation**
    - *Examples; switch from hard drives with moving parts to solid state, driverless automobiles, new cures for diseases (Alzheimer's?)*
- ✘ The pressure for disruptive innovation is increasing



# **The Third Industrial Revolution Is Transforming Economic Activity**

- **Advances in robotics, 3D printing, materials, software, bioengineering, and the web are fundamentally changing where and how economic activity takes place.**
- **Innovation is replacing physical capital as the foundation of economic growth.**
- **Physical location will be less important and those bound to it will find competition increasingly difficult.**
- **The pace of disruptive innovation will increase**

# **Avoiding The *Tyranny of Success* Will Be Difficult For Both Private And Public Sectors**

- **The impact of disruptive events will increase with the drive to increasingly lean operations.**
- **The global imperative to increase productivity will accelerate the pace of disruptive innovation.**
- **Conflict between the lean/quality based productivity improvement and the innovation side of the organization will increase.**

# **In A World Driven By Rapid Change Resulting From Demographic Pressures--Some Critical Issues For The Next Decade**

- Place (physical and financial capital) will be less important
- Manufacturing will happen everywhere there are talented people
- Energy, food and water will be critical resources

**“I skate to where the puck will be,  
not to where it has been.”**

**Wayne Gretzky**

**Famous Canadian Philosopher**