Challenges and Opportunities of Rapid Economic and Demographic Change

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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

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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

- Boom Generation
- Generation X
- Generation Y

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### Generations In The United States

Common Usage Has Some Variations In Dates

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

- Other households: 4,200
- Living alone 55+: 90,500
- Living alone under 55: -5,000
- Other Fams w/o kids: 7,400
- Other families w kids: 16,800
- MC w/o kids 55+: 141,100
- MC w/o Kids under 55: -21,300
- Married w/kids: -1,200

Minnesota State Demographic Center projection
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US Labor Force Growth Will Be At Record Low Levels Be 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**: 1.0% (2000-10), 0.4% (2010-20), 0.4% (2020-30)
- **Japan**: -0.6% (2000-10), -0.7% (2010-20), -1.0% (2020-30)
- **Western Europe**: 0.4% (2000-10), -0.3% (2010-20), 1.7% (2020-30)
- **Latin Am**: 1.3% (2000-10), 0.7% (2010-20), 1.3% (2020-30)
- **China**: 0.0% (2000-10), -0.4% (2010-20), 0.0% (2020-30)

Source: US Census Bureau International Data Base

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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