Coming Home to Nebraska: Population and Migration Trends

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The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
Coming Home to Nebraska

• Today’s Outline:
  – Population and Migration Trends
    • Baby boomers retire
    • Young people leave
    • Middle-age people return
  – The Impact on the Nebraska Economy
The Baby Boomers are Set to Retire.

U.S. Births

Million people

Source: U.S. National Center for Health Statistics
Retirees will Account for a Larger Share of the Population.

### U.S. Population by Age

<table>
<thead>
<tr>
<th>Percent of Population</th>
<th>2008</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working age (25 to 61)</td>
<td>50.2</td>
<td>44.9</td>
</tr>
<tr>
<td>Retirement age (62+)</td>
<td>15.4</td>
<td>22.4</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau
The Great Plains will still have an older population base.

Tenth District Population over the Age of 50

1970

2008

Source: U.S. Census Bureau
Nebraska Will Age, But Some Regions Will Age Faster Than Others.

Nebraska Population over the Age of 50

1970

2008

Source: U.S. Census Bureau
In the Tenth District, Rural and Metro Migration Trends Differ.

Author's calculations based on Census Bureau data. Rural areas are based on nonmetro county definitions.
Coming Home to Nebraska

• Today’s Outline:
  - Population and Migration Trends
    • Baby boomers retire
    • Young people leave
    • Middle-age people return
  - The Impact on the Nebraska Economy
    • Labor
    • Health care
    • Fads and trends
    • Technology
    • Wealth Transfer
Declining Labor Force Participation Leads to Weaker Growth.

U.S. GDP Decomposition, 1982 to 2019

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<tr>
<td><strong>Labor Force Growth (1)</strong></td>
<td>1.7</td>
<td>1.2</td>
<td>.9</td>
<td>.6</td>
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<tr>
<td>Population growth</td>
<td>1.1</td>
<td>1.2</td>
<td>1.1</td>
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<tr>
<td>Labor Force Participation Growth</td>
<td>.6</td>
<td>0</td>
<td>-.2</td>
<td>-.5</td>
</tr>
<tr>
<td><strong>Productivity Growth (2)</strong></td>
<td>1.5</td>
<td>1.7</td>
<td>1.7</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Potential GDP (1 + 2)</strong></td>
<td>3.2</td>
<td>2.9</td>
<td>2.6</td>
<td>2.3</td>
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Authors calculations based on Congressional Budget Office, Bureau of Economic Analysis, and Bureau of Labor Statistics data
Labor is One of the Biggest Challenges Facing Nebraska Businesses.

### Workforce Aging Issues in Fortune 1000 Companies

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<th>Workforce Issue</th>
<th>Percent of Respondents in agreement with statement</th>
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<tr>
<td>Retaining key employees and maintaining intellectual capital is a major concern.</td>
<td>38 % 68 %</td>
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<tr>
<td>Retirements will cause a talent gap or brain drain.</td>
<td>62 % 62 %</td>
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<td>Middle and senior management will be the levels most affected by the brain drain.</td>
<td>48 % 70 %</td>
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Source: Ernst & Young LLP’s 2007 Aging U.S. Workforce Survey

Occupations with the Largest Employment Increases (Projected 2006-16)

1) Registered Nurses
2) Retail Salespersons
3) Customer Service Representatives
4) Food prep and serving workers
5) General office clerks
6) Personal and home care aides
7) Home health aides
8) Postsecondary teachers
9) Janitors and cleaners
10) Nursing aides, orderlies, and attendants

Source: U.S. Census Bureau Occupational Outlook Handbook
No Matter How Hard We Try, We Cannot Ignore the Pending Fiscal Challenges.

Social Security and Medicare Income and Cost Rates

Percent of taxable payroll

Source: A Summary of the 2009 Annual Reports, Social Security and Medicare Board of Trustees
http://www.ssa.gov/OACT/TRSUM/trsummary.html
How Will Boomers Impact the U.S. Housing Stock?

Which House is More Attractive to People age 70 and older?
What is the Next Fad?

U.S. Real Net Farm Income

Billions of Dollars (2008=100)

Source: USDA
To offset weaker labor force growth, Nebraska must boost productivity.

GDP Decomposition, 1982 to 2019

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Authors calculations based on Congressional Budget Office, Bureau of Economic Analysis, and Bureau of Labor Statistics data.
Technology Will be Key to Future Growth.

Adoption of Electronic Communications

- **Telephone**: 1890 - 1946
- **Radio**: 1923 - 1932
- **Television**: 1949 - 1954
- **Computer**: Year when household penetration reached 1 percent-Blue, 50 percent-Black
- **Mobile Phone**: 1989 - 2003
- **Internet**: 1991 - 2001

Source: Goldman Sachs Economic Research calculations based on Dept of Commerce data.
US Economics Analyst, Iss. 05/06 Feb. 11, 2005
High Speed Internet Coverage
June 2000

Number of Reporting Providers

- 7 or More
- 4 to 6
- 1 to 3

Source: FCC
High Speed Internet Coverage
June 2007

Source: FCC
Technology and Innovation is Emerging in Nebraska.

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<th>Computer System Design</th>
<th>Scientific R&amp;D Services</th>
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<td><strong>Establishments</strong></td>
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<tr>
<td>1998</td>
<td>376</td>
<td>37</td>
</tr>
<tr>
<td>2006</td>
<td>538</td>
<td>66</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
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<tr>
<td>1998</td>
<td>5216</td>
<td>298</td>
</tr>
<tr>
<td>2006</td>
<td>6158</td>
<td>3510</td>
</tr>
<tr>
<td><strong>Annual Payroll per worker</strong></td>
<td>$66,000</td>
<td>$63,500</td>
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Source: County Business Patterns data
Financing a New Nebraska Economy?

America's Wealth Transfer: A Likely Scenario

Source: Nebraska Community Foundation
Where Will Our Teenagers Go? How Do We Get Them Back?

Nebraska Population Change (2010 to 2020)

Calculations based on Census Bureau data
Appealing Communities ...

• Improve and leverage local amenities
• Invest in your people
• Invest in 21\textsuperscript{st} century infrastructure
• Tap new technologies
• Be entrepreneurial
• Enrich equity capital sources
• Think regionally to leverage scarce resources.
• Partner and collaborate

Source: “Top Ten Ways to Reinvent Rural Regions” Main Street Economist, Federal Reserve Bank of Kansas City, November 2003
Conclusions

• Going forward, demographics will shape the Nebraska economy.
• Aging populations will bring forth challenges, but also opportunities.
• New investments are needed for a new Nebraska economy.
• What makes your community a “great” place to live?