

Regional Projections to 2040: Methodology and Results

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Overview

- Best Practice Methodology for Regional Projections
- Developing Regional Job Growth Projections
- Recent History and Short Term Trends
- The Case for Above Average Job Growth to 2040
- Projections of Total Jobs and by Sector
- Issues and Challenges
- Population and Housing

Best Practice Methodology

Used by All Major Regions in CA

- Bay Area job projections depend on assumptions about U.S. job growth and the Bay Area share of U.S. jobs. The region and nation are connected.
- Bay Area population projections depend on job growth and the proportion of Bay Area workers living in the region.
- Bay Area household projections depend on population growth, age and ethnic composition, behavioral factors and assumptions about housing supply.

Bay Area Job Growth-1

- Bay Area job growth depends on the number (POOL) of jobs created in the U.S. and the SHARE of U.S jobs locating in the region.
- The POOL of U.S. jobs depends on the amount population growth, the age profile of the population and labor force participation rate trends.
- The amount of population growth depends on assumptions about immigration and birth rates.

Bay Area Job Growth-2

- The SHARE of U.S. jobs locating in the Bay Area depends on the composition of U.S. job growth and the competitive position of the Bay Area.
- The share of job growth is primarily determined by growth in the region's economic base—those sectors that sell a majority of goods and services to customers across the state, nation and world.

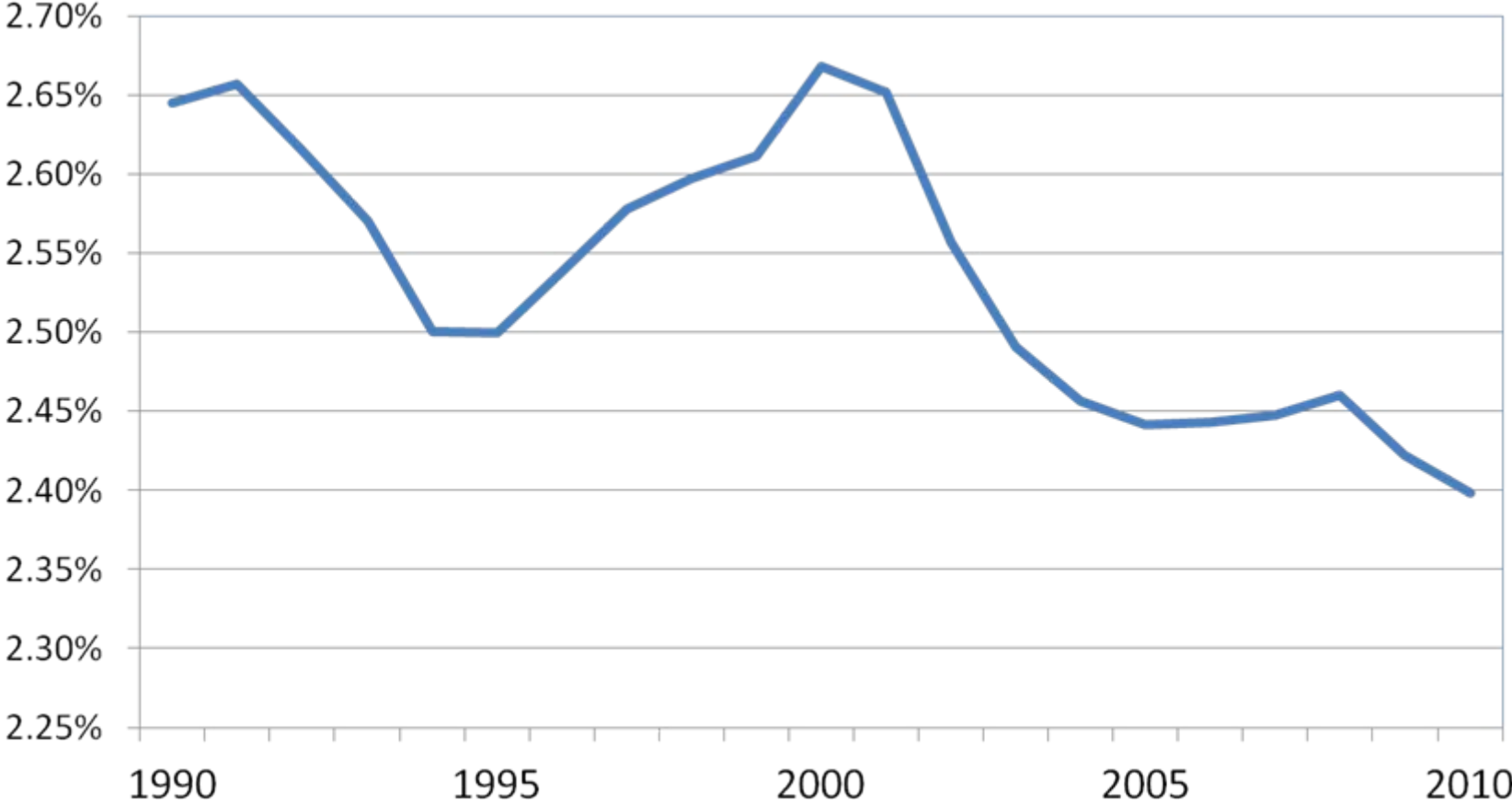
Bay Area Job Growth-3

- Leading sectors in the Bay Area economic base are technology, including hardware, software and social media, professional and technical services, and foreign trade and tourism. The economic base accounts for 40% of total jobs and is the primary focus of the competition for job shares.
- The remaining jobs serve local residents and businesses. The profile of these jobs in the Bay Area is similar to the national profile.

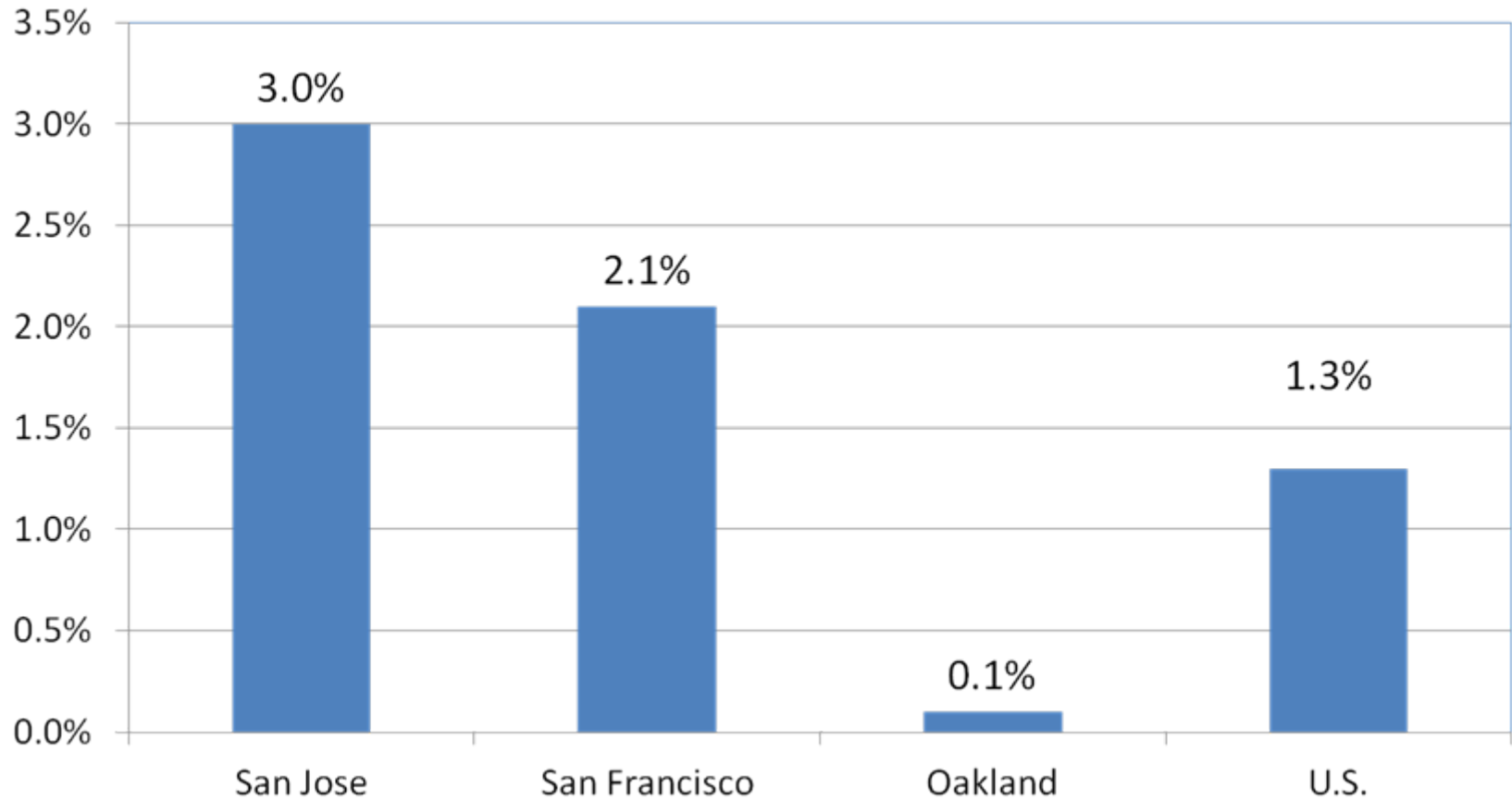
Job Share History and Recent Trends

- Bay Area grew more slowly than the nation between 1990 and 2010—the explanation
- Since late 2010 the Bay Area has outpaced the nation in job growth led by Silicon Valley
- UCLA forecasts that the Bay Area will outpace the nation in job growth in 2012 and 2013
- High tech job growth and space acquisition surged in late 2011 continuing into 2012

The Bay Area Share of U.S. Job Growth



Job Growth in 2011 (Pre Revision)



UCLA Bay Area Forecast

- An increase of 160,000 wage and salary jobs or +5.8% between Q4-2011 and Q4-2013. There will be additional job growth for self-employed workers. The forecast for annual job growth is at least 80,000 per year for 2012 and 2013.
- Real income growth (above the rate of inflation) of 3.7% in 2012 and 3.3% in 2013. Real taxable sales gains of 2.7% and 3.1%.

Short Term Outlook

- Bay Area outpaces the state and nation in 2012 and 2013
- An increase in national and state growth in 2014 and 2015 with the Bay Area participating
- By 2013 the beginnings of recovery in construction and world economic growth
- Santa Clara, San Francisco and San Mateo counties rank in the top ten in average wages but also in \$ and % wage growth in 2011.

Long Term Strengths

- Industry structure—high concentration of high wage, fast growing industries
- Strength in labor force (education and skills), patents, company headquarters
- Location on the Pacific Rim favors growth in Bay Area trade, tourism and foreign investment
- A foundation for above average growth

Bay Area has High Share of Fast Growing High Wage Sectors

- Bay Area has 2.4% of nation's jobs
- 10.3% for software; 8.3% for Internet services
- 12% of computer and electronic manufacturing
- 7% of computer services; 8.1% of scientific R&D services
- Above average shares in management, consulting and architectural & engineering services

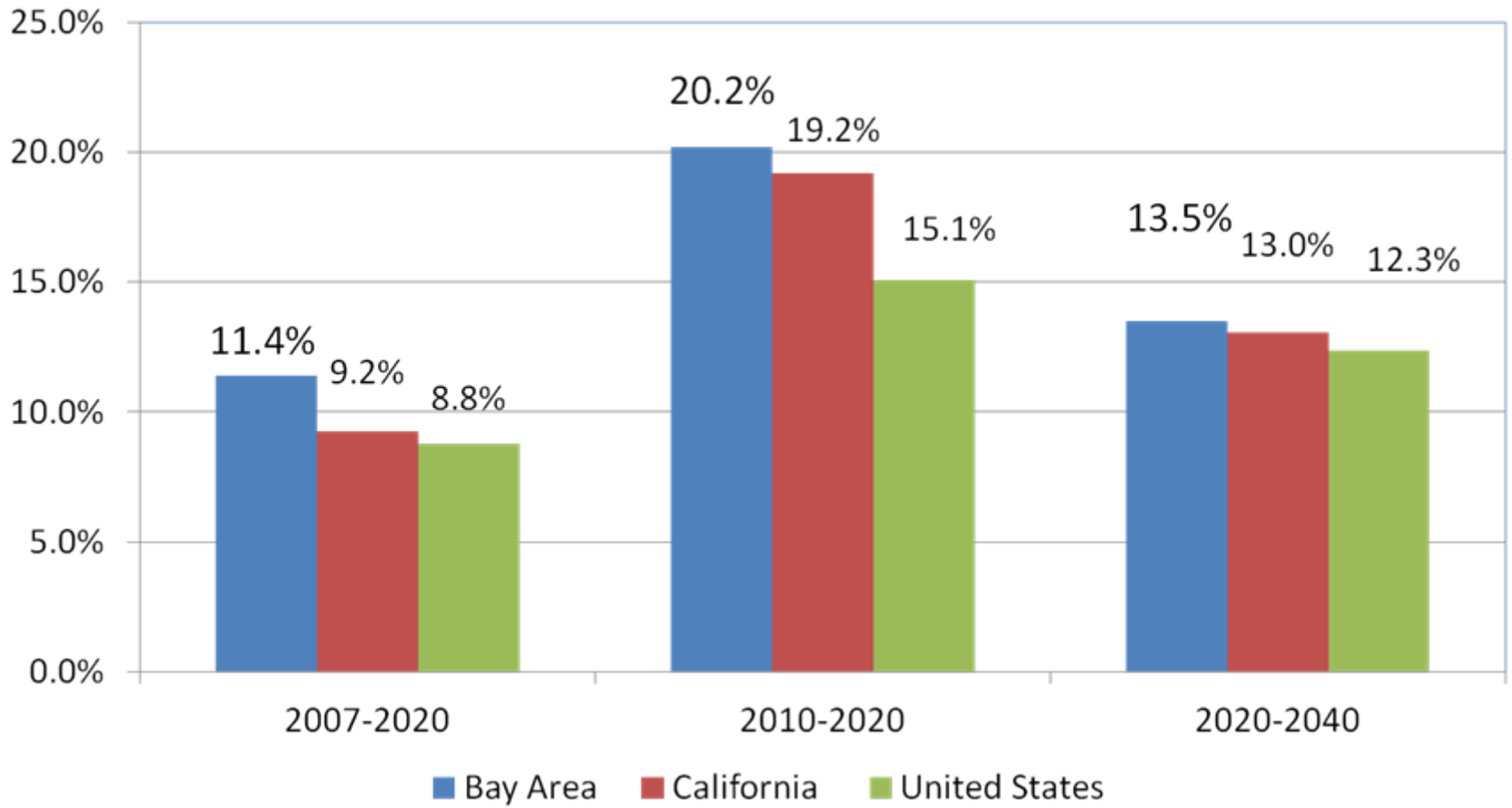
McKinsey Global Institute Report for Bay Area Council

- In 2010 Bay Area organizations held 16,364 patents. 2nd place was New York with 6,383
- Highest % of college grads in workforce (44%)—national average is 28%
- Highest share of jobs in innovation sectors (18%)—next are Boston and Seattle
- 50% of top clean tech firms, 7 in 10 top social media firms, 2nd highest number of Fortune 500 global companies after New York

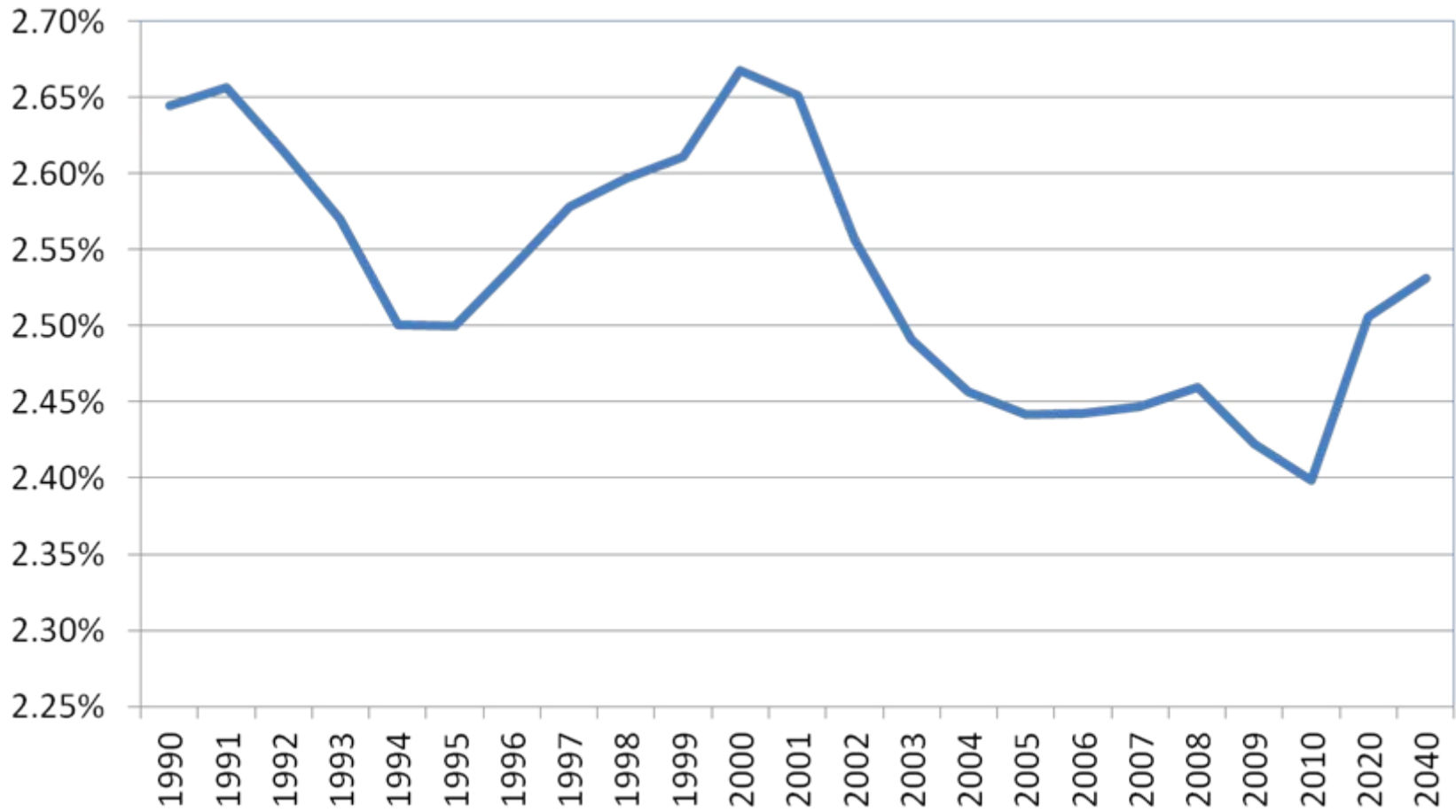
Bay Area Job Projections to 2040

- A high tech and recovery bounce in the short term
- Above average job growth to 2020
- Slightly above average job growth after 2020
- Driving sectors are technology and professional services
- Above average job growth in these sectors plus health care, leisure and hospitality and self employment

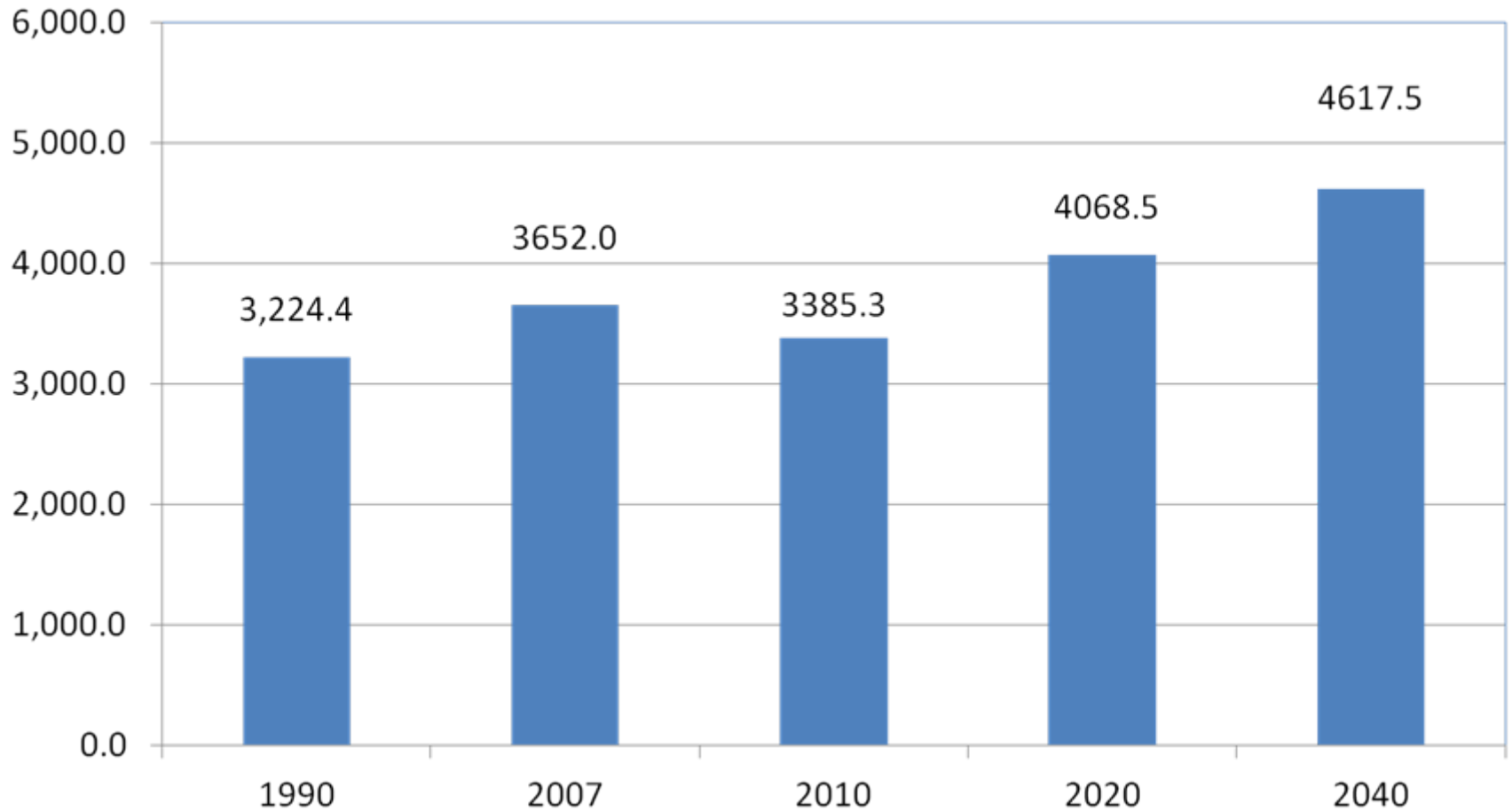
Job Growth to 2040



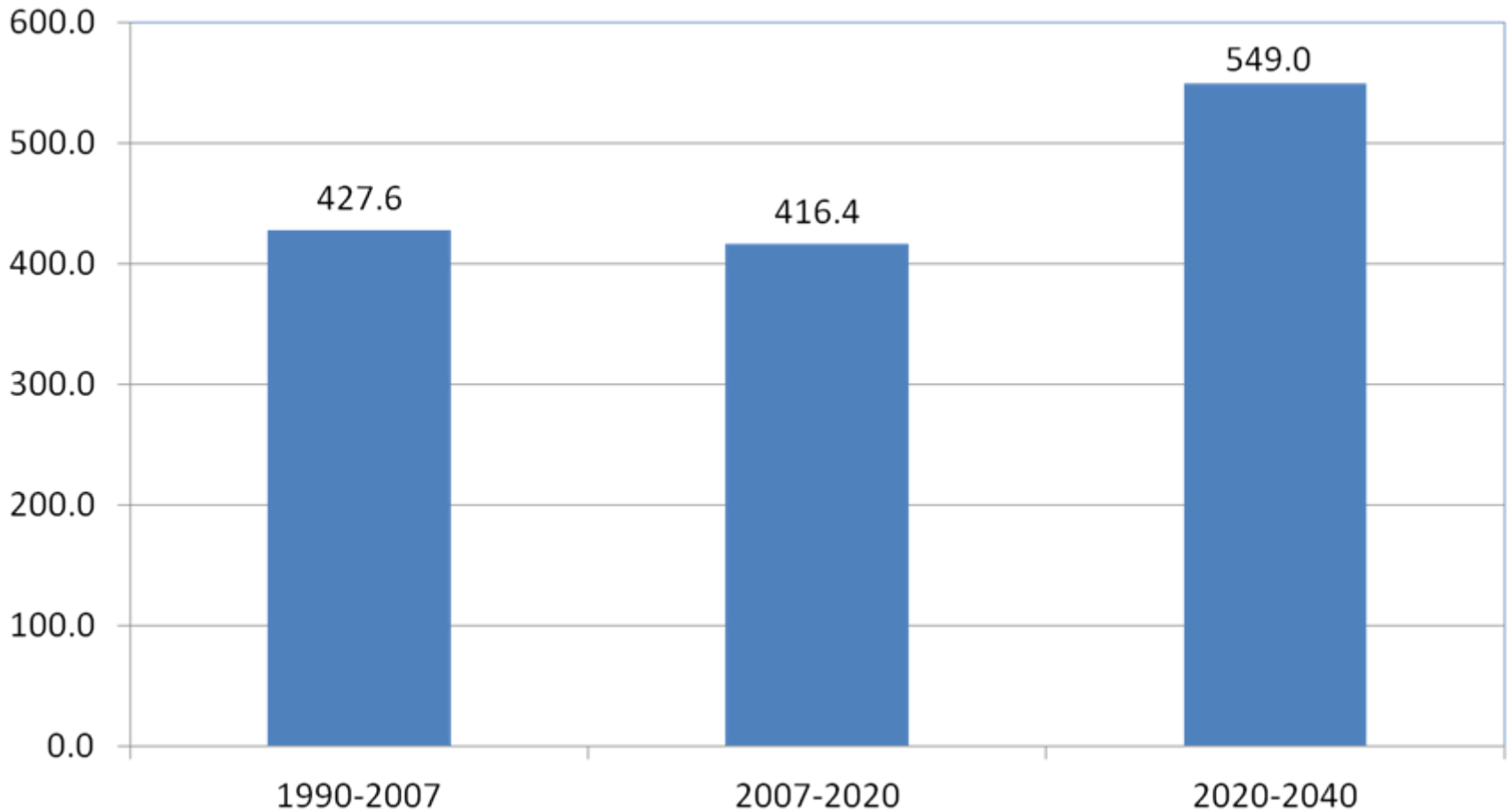
Bay Area Share of U.S. Jobs



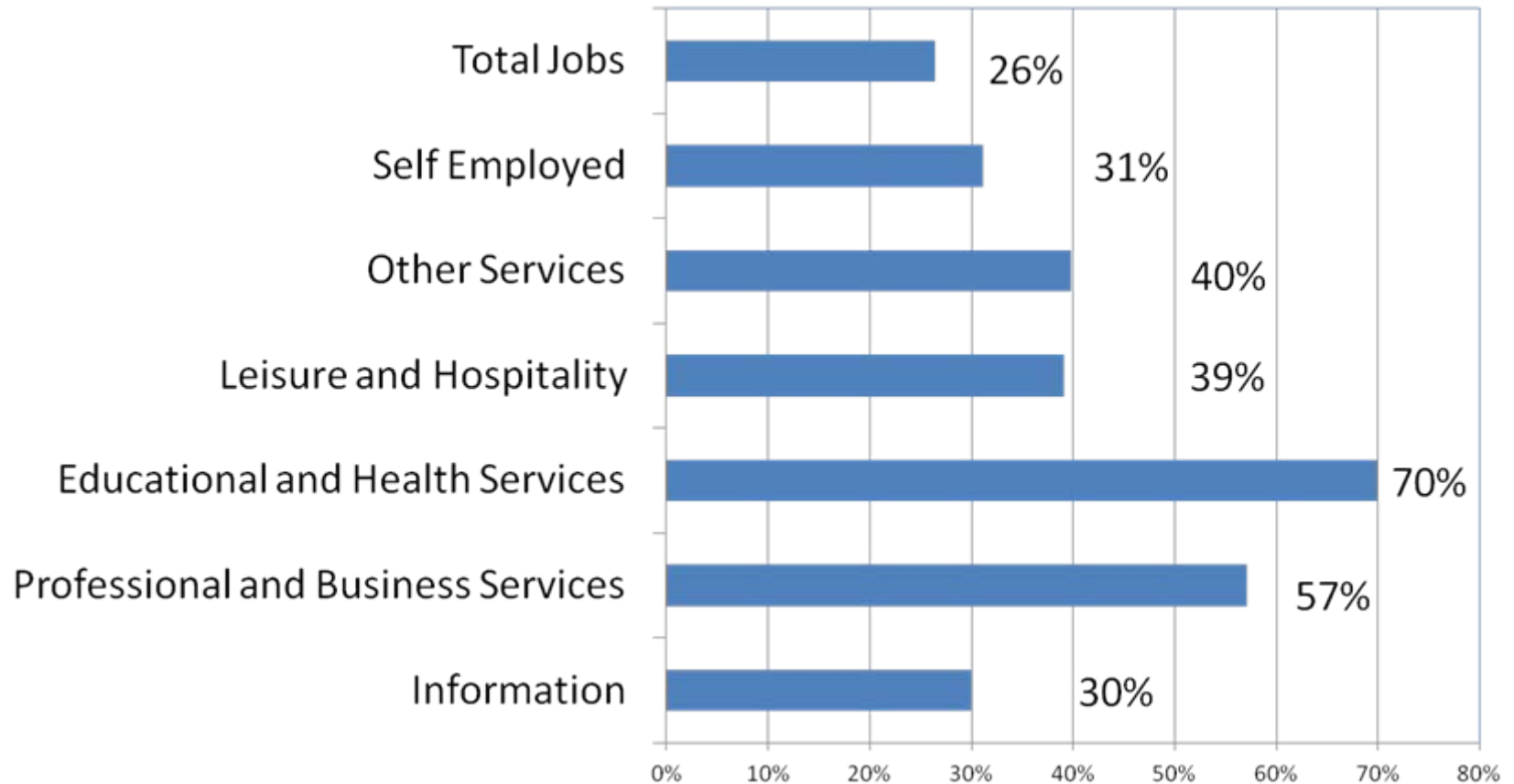
Bay Area Jobs (Thousands)



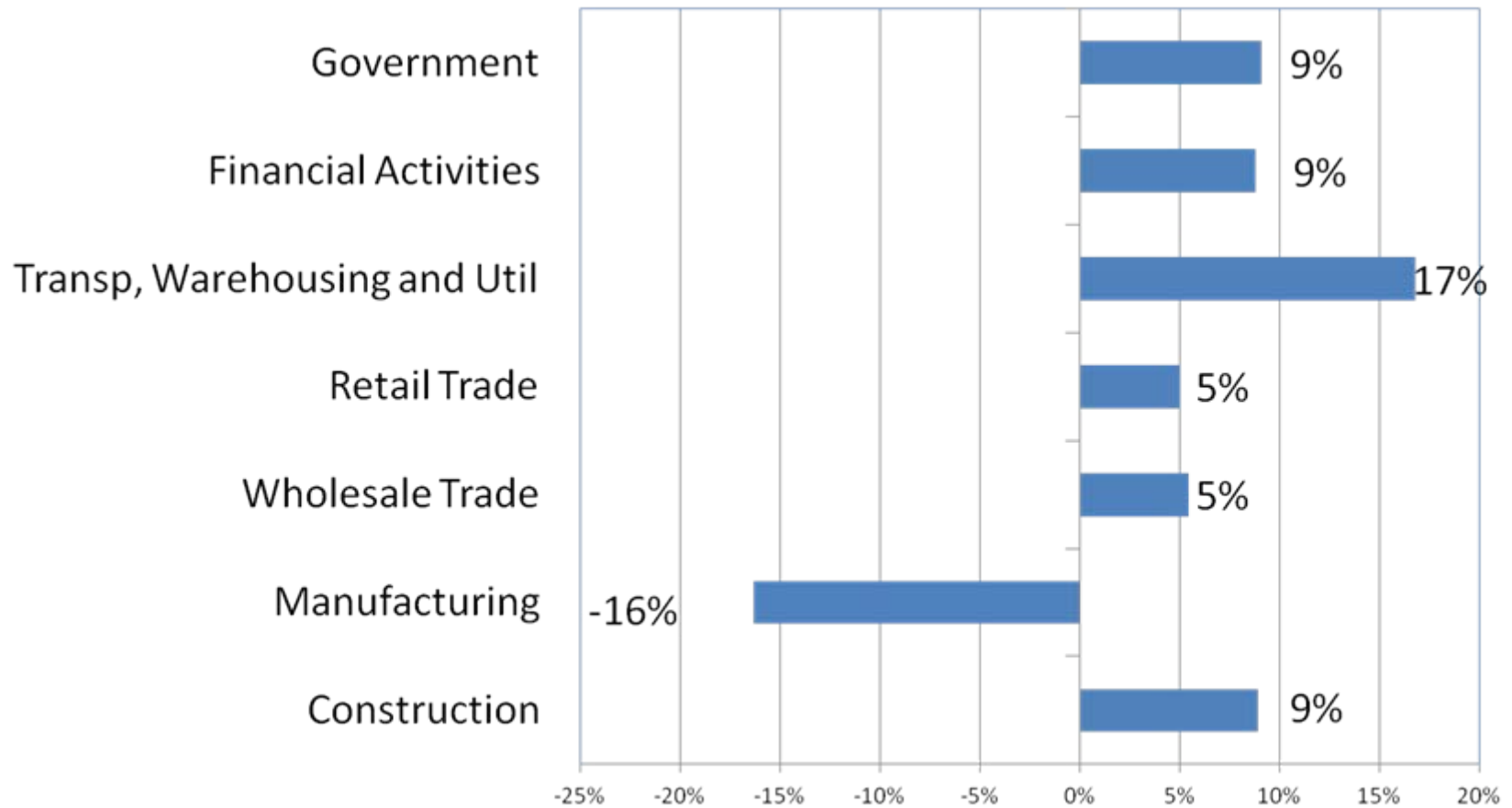
Bay Area Job Growth (Thousands)



Above Average Job Growth 2007-2040



Below Average Job Growth 2007-2040



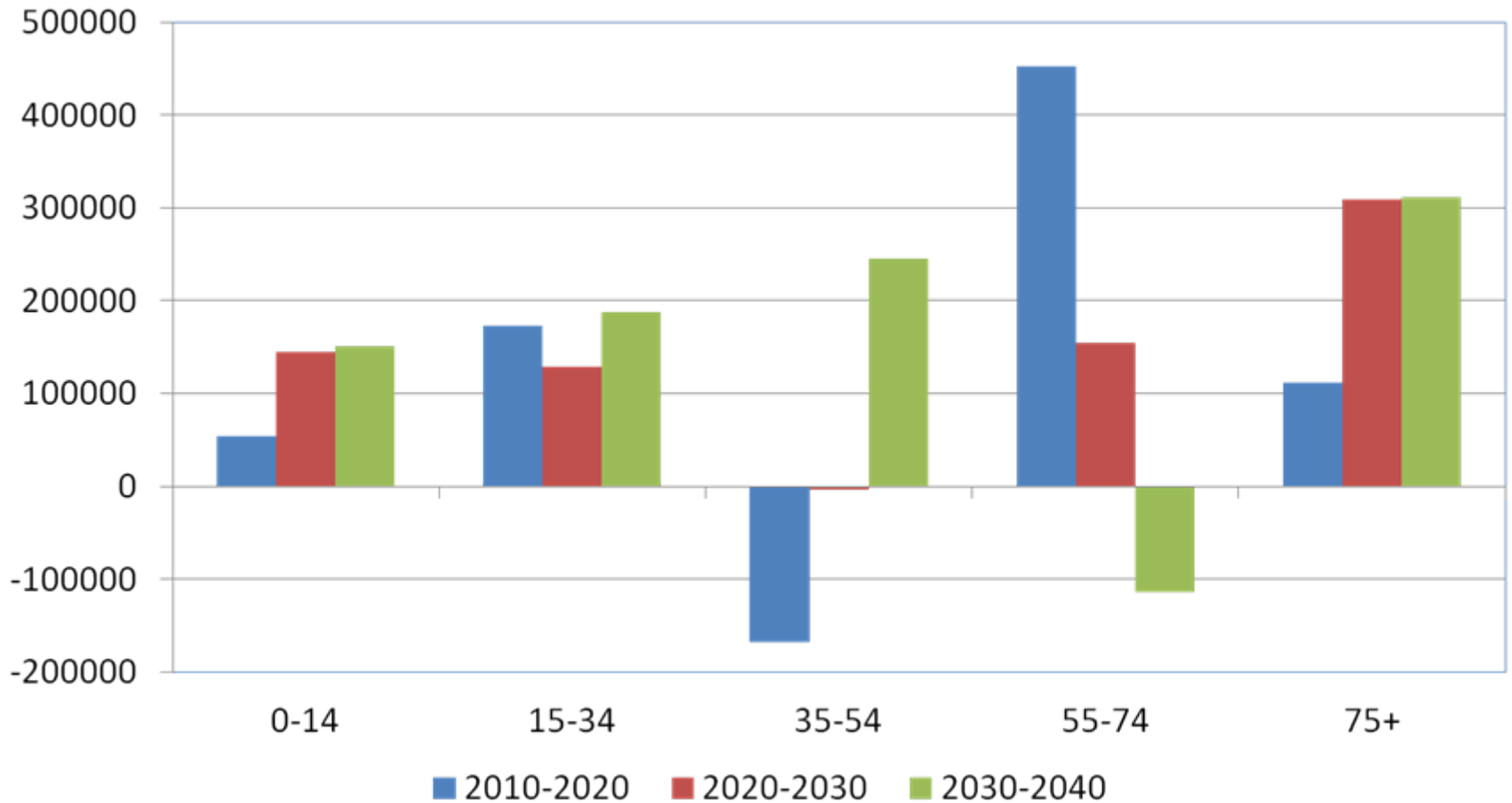
Issues and Challenges

- These job projections reflect the likely growth pattern if the region maintains its competitive attraction for technology, trade and tourism and other driving industries.
- Being competitive includes facing the challenges of education, infrastructure, housing and quality of life that are well known in the region, state and nation. Job growth is never automatic.
- All long-term projections are subject to uncertainties in national and world demographic and economic trends.

Regional Population Growth

- Determined by the population needed to support the projected job growth
- Depends also on projected levels of in commuting
- In commuting in this alternative is assumed to increase following historical trends
- Today I want to call attention to the pattern of growth by age group—implications for workforce and housing

Bay Area Population Growth by Age Group and Decade



Household Projection Methodology

- HH growth consistent with projected job and population growth
- Population growth analyzed by age and ethnic group
- Household formation rates by age and ethnic group developed with input from HCD
- Today I want to call attention to the age pattern of projected HH growth

HH Growth by Age and Decade

