Demographic Change in the United States and Pennsylvania and its Implications

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Introduction

I have three goals this morning. First, I will highlight two major demographic trends that are transforming us as a nation: Population aging and rising immigration from Asia. Second, I will talk about how these two demographic trends are playing out in Pennsylvania. Third, I will discuss how population aging and immigration are related to one another. Since I have only a few minutes, I will keep my comments brief, but am happy to follow up with you either today or in the future if you have specific questions.
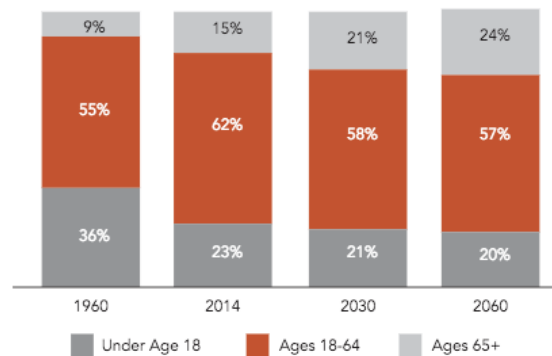
Population Aging in the United States

The population of the United States is growing older and will continue to grow even older in the coming decades. The share of the U.S. population age 65 or older was only 9% in 1960. Now it is about 19%, and is projected to increase to 21% in 2030 and 24% in 2060[1]. Additionally, the share of children under age 18 in the population will shrink, which means that there will be fewer young people to support the older generation.

These changes are largely due to the aging of the baby boom generation and the fact that fertility rates are lower now than they were in the past. Keep in mind that European and East Asian populations are aging faster than in the United States due to the fact that fertility rates in Europe and East Asia are quite a bit lower than in the U.S.[2]

FIGURE 2

By 2060, Nearly One-Quarter of Americans Will Be Ages 65 and Older.

Percent of U.S. Population in Selected Age Groups, 1960 to 2060
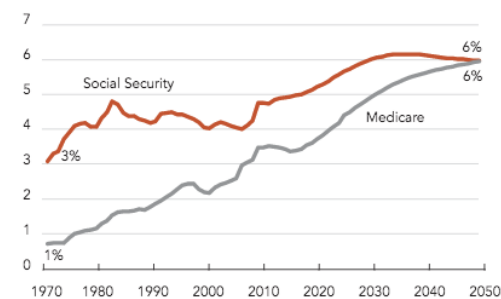
Note: Numbers may not sum to 100 due to rounding.
Source: PRB analysis of data from the U.S. Census Bureau.

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[1] Population Reference Bureau (http://www.prb.org/pdf16/aging-us-population-bulletin.pdf)
[2] United Nations (http://www.un.org/esa/population/publications/worldageing19502050/)

Social Security and Medicare Expenditures Are Projected to Reach a Combined 12 Percent of GDP by 2050.

Projected Social Security and Medicare Expenditures as a Percentage of GDP

Source: Social Security Administration, Summary of the 2014 Annual Reports.

The financial consequences of population aging become very clear when we consider how expensive programs to support the elderly are. According to the Social Security Administration, combined expenditures for Social Security and Medicare are projected to reach 12 percent of GDP by 2050.[3]
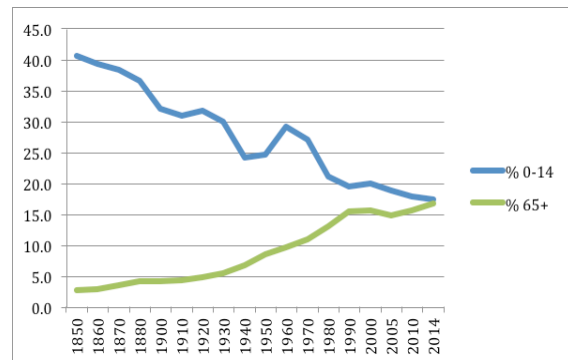
Population Aging in Pennsylvania

Population aging is even more pronounced in Pennsylvania than it is for the United States as a whole. Pennsylvania ranks fifth in the percentage of the population that is age 65 or older, falling just below Florida, Maine, West Virginia and tied with Vermont.[4]

Pennsylvania's population is aging because of two important trends. First, more young people leave the state than move in each year[5]. This is very different than Florida, which grows older because elderly people tend to retire there. Also notable is that out-migration from Pennsylvania is occurring more for college graduates than non-college graduates. This contributes to what is often referred to as "brain drain". Although Pennsylvania excels at providing excellent opportunities in higher education, many college graduates do not remain in the state. Of those who move away, roughly one-quarter move to New York or New Jersey.

Second, Pennsylvania's population is rapidly aging because its fertility rates are lower than the United States as a whole.[6] Currently, women in Pennsylvania have an average of 1.76 children compared with 1.86 among women in the U.S. as a whole. Women need to have an average of 2.1 children to replace themselves and their partners in the population, so this low level of fertility will lead to declines in the numbers of children.

Population Aging in Pennsylvania

Immigrants in the United States

Another major demographic trend affecting the U.S. population is immigration. Immigration has been a major engine of population growth and innovation to North America for centuries. The largest sustained waves of immigration actually occurred during the decades proceeding and following the turn of the 20th century when people from Italy, Ireland, and Eastern Europe dominated immigration flows and greatly diversified the largely Protestant Western European population living in the United States at the time. Immigration slowed down a lot during the Great Depression and World War II. However, following the 1965 Immigration Act, immigration increased again but this time the immigrants tended to

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[3] Population Reference Bureau (http://www.prb.org/pdf16/aging-us-population-bulletin.pdf)

[4] IndexMundi (http://www.indexmundi.com/facts/united-states/quick-facts/all-states/percent-of-population-65-and-over#chart)

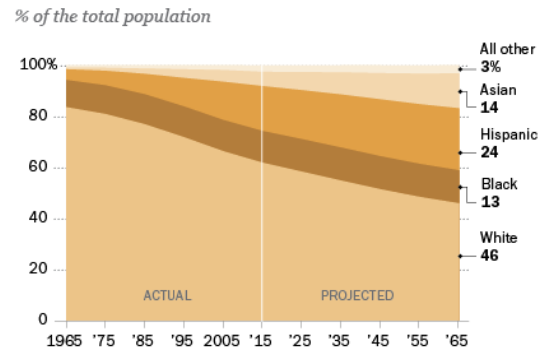[5] This estimate is based on my own analysis of the American Community Survey (https://usa.ipums.org/usa/)

[6] National Center for Health Statistics (http://www.cdc.gov/nchs/data/nvsr/nvsr64/nvsr64_12.pdf)

originate from Latin America and Asia. In just the last five years or so, Asian immigration has increased while Mexican immigration has stalled[7].

Perhaps one of the most notable impacts of immigration has been to increase the racial and ethnic diversity of the population. By the 2055, the U.S. is projected to become minority-majority, with non-Hispanic whites making up less than half of the population. Growth in racial and ethnic diversity is occurring even faster among children. One in four children is a child of an immigrant, and children ages 0-17 are projected to become minority-majority in just three years, by 2020[8].

The changing face of America, 1965–2065
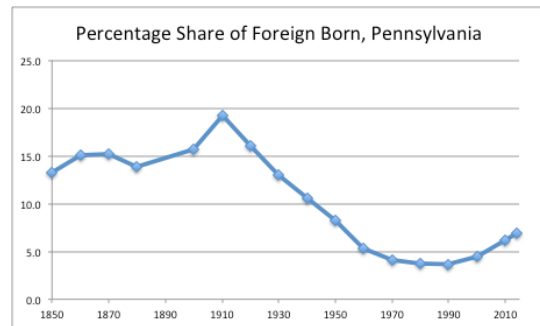
% of the total population

Note: Whites, blacks and Asians include only single-race non-Hispanics; Asians include Pacific Islanders. Hispanics can be of any race.
Source: Pew Research Center 2015 report, "Modern Immigration Wave Brings 59 Million to US, Driving Population Growth and Change Through 2065"

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Immigrants in Pennsylvania

The share of immigrants in Pennsylvania has fluctuated tremendously over the last century. In response to growing demand for labor in the mining and steel industry, the share of the foreign-born population increased during the late 1800s and peaked at 19.3 percent in 1910. After that, it fell steadily until 1990, after which the share of immigrants increased again.

Currently, Pennsylvania does not attract a large number or share of immigrants. In 2014, about 822 thousand, or 6.4 percent, of the state's total population was foreign born. In comparison, the share of immigrants was 27 percent in California, 23 percent in New York, 22 percent in New Jersey, 20 percent in Florida, and 19 percent in Nevada[9]. Fewer than two percent of the nation's 42 million foreign born live in Pennsylvania.

Percentage Share of Foreign Born, Pennsylvania

Nevertheless, immigration has increased the racial and ethnic diversity of Pennsylvania's population. According to my own analysis of Census data[10], 38 percent of Pennsylvania's immigrants originated from Asia, 23 percent from Europe, 7 percent from Mexico, and 22 percent from other parts of Latin America. The largest single national origin group is from India. Indian immigrants make up 9 percent of the foreign-born population in Pennsylvania.

Additionally, immigrants have raised the average educational attainment of Pennsylvania. A large share of immigrants living in Pennsylvania are highly educated. Thirty-seven percent of immigrants age 25+

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[7] Pew Research Center (http://www.pewsocialtrends.org/2012/06/19/the-rise-of-asian-americans/)
[8] ChildStats.gov (http://www.childstats.gov/americaschildren/tables/pop3.asp)
[9] Migration Policy Institute (http://www.migrationpolicy.org/article/frequently-requested-statistics-immigrants-and-immigration-united-states#Immigrant%20Population%20Change%20over%20Time)
[10] All of the estimates pertaining to the characteristics of the foreign born population in Pennsylvania are based on my analysis of the American Community Survey (https://usa.ipums.org/usa/)

have a college or professional degree compared with 27 percent of U.S.-born Pennsylvanians. Nevertheless, it is also the case that a large share of immigrants has very low levels of education; 19 percent did not complete high school compared with 9 percent of the U.S.-born.

Can Immigration Offset Population Aging?

I often hear arguments that we need high levels of immigration to offset population aging. This may seem to make sense. After all, immigrants tend to be young, so why not admit enough of them to help pay for Social Security and Medicare? The problem is that we would need a lot of immigrants to accomplish this – far more than the U.S. admits each year now – and even then, the demographic effects of immigration would be temporary. The reason is that immigrants grow old too, just like everyone else. Overall, the consensus among experts is clear: immigration is not a viable way to replace the declining numbers of young adults in an aging population.[11]

However, there are ways that immigration can help the state manage the effects of population aging. Although immigrants often need additional training (including English classes), they can be recruited to work in niche industries where there is rapidly growing demand, such as health care. Also as just noted, immigrants to Pennsylvania tend to arrive with high levels of education, which is likely to increase the overall level of human capital and tax revenue in the state. My back-of-the-envelope calculation suggests that brain drain from Pennsylvania would be five time greater were it not for international migration.

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[11] United Nations (http://www.un.org/esa/population/publications/migration/execsum.pdf)