Fertility Rates and the Future of the Workforce

By Lisa McKinney

Friday, October 6, 2017 at 02:37 PM

By Katherine Barrett and Richard Greene

During the years when the baby-boom generation was being introduced to the population of the United States, the fertility rate equaled about three births for each woman of child bearing age. But since the mid-1960s, when the baby boom ceased, fertility rates have been dropping. By the early 1970s, the fertility rate fell below two births per woman, and it has been declining steadily for at least the last 10 years. Since then, the U.S. fertility rate has been below replacement level—the level that is needed for couples to replace themselves in the population—according to the Population Reference Bureau.

The numbers vary, of course, from state to state, with New England states, and notably Massachusetts, falling at the bottom of the list. The average number of children born to women in Massachusetts is only 1.55, according to the National Vital Statistics Report.

“Rates for teens, 20-somethings, and even 30-34 year olds continue to decline,” said Susan Strate, senior population estimates program manager at the UMass Donahue Institute. “This is likely due in part to the now broadly recognized economic challenges that younger people face today compared to generations earlier.”

It follows that the later in life women begin to have children, the fewer children they’re likely to bear. Even some states with historically high fertility rates have seen those numbers drop. In 2007, California’s fertility rate was 2.2. The most recent available data, for 2015, put it at 1.7. That’s a very dramatic decline. According to the National Center for Health Statistics, over the same time period, the western U.S. had some of the steepest declines in fertility rates in the nation with Arizona, California, Nevada and Utah leading the list.

This data is cause for concern to many, particularly as it influences the economy of the future. “The working-age population growth rate is far below the total population growth rate,” said Diane Lim, principal economist at The Conference Board, a nonprofit research group that has done extensive work on this topic. This skews the ratio of workers to non-workers. The working population will not be able to “keep up with the demands of our society and economy,” said Lim.

Almost inevitably, the working-age population will have to contribute more to the economy—largely through automation—or both business and the government will have to go deeper into debt, according to Lim and others at The Conference Board.

“Though the fertility decline is underlying this, there are other important factors in the equation,” said
Minnesota demographer Susan Brower. “For one thing, as the average age of workers in the United States goes up, the number of retirees is going to increase as well.”

As a result, “even if we had fertility rates above two, there wouldn’t be enough workers to account for those retirements going up in the future,” said Matt Hauer, an applied demographer for the state of Georgia.

Though projections of the number of retirees have generally been somewhat inaccurate over past years, there’s no question that those numbers will increase. In 2010, for example, the baby-boom generation was 46 to 64 years old. But, according to the U.S. Census Bureau, by 2030, all of the baby boomers will have moved into the ranks of the older population. This will result in a shift in the age structure. Census estimates indicate that 13 percent of the population was age 65 and older in 2010 and that number will climb to 19 percent in 2030.

“The pressure will continue to grow,” said Brower. “You don’t have large numbers of 70 or 80 year olds still working.”

Not only do the costs of the non-working population continue to weigh on states and cities, the costs of the declining number of younger people don’t necessarily go down.

“We’re going to lose 10 or 15 percent of our school enrollment in the next 10 or 15 years,” said New York’s demographer Warren Brown. “But you don’t save money on those declines, because you continue to have to support the physical infrastructure.”

It’s much like an airplane. Even if the craft goes aloft half full, the costs of staff, fuel and infrastructure don’t change much.

Of course, states can’t very well put up road signs that say, “Have a baby today.” One of the best hopes for the states is in-migration from other states and abroad. Between July 2015 and July 2016, 31 states and the District of Columbia added population via migration, according to an article in Governing magazine that indicated that Arizona, Colorado, Georgia, North Carolina, Texas, Washington and especially Florida all had population inoculations of more than 60,000 in 2014-2015.

“I don’t think fertility rates are going to turn around soon in a way that will increase the working population,” said William Frey, a demographer at the Brookings Institution. “Immigration is the thing that states can hope will turn around for them. That’s why a state like Florida doesn’t have to worry as much about fertility. On the other hand, a lot of the Great Plains states, which don’t have as much in-migration, have to worry more about fertility rates.”

Given the decline in fertility rates coupled with the growing number of retirees, it may well turn out that the most important import this country can receive from abroad is people.

About Barrett and Greene

CSG Senior Fellows Katherine Barrett and Richard Greene are experts on state government who work with Governing magazine, the Volcker Alliance, the National Academy of Public Administration and others. As CSG senior fellows, Barrett and Greene serve as advisers on state government policy and programming and assist in identifying emerging trends affecting states.

Tags:
Content Type [7]› Publications [8]