

Dan Walters: New California color is gray, not gold, as ‘aging tsunami’ arrives

By Dan Walters

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From the beach party movies of the 1960s to the hippies of the 1970s and Silicon Valley’s baby billionaires today, California has long projected a youthful ambiance.

That’s about to change in a big way. The aging of California’s huge post-World War II baby-boom generation, combined with plummeting birth and immigration rates, means the Golden State is quickly going gray.

A huge growth in the over-65 population, from about 4.5 million today to more than 11 million by 2050 – nearly a quarter of the state’s residents then – will disrupt labor markets as it imposes major new costs on taxpayers for health care and other services.

It could also alter the state’s politics as the elderly become a decisive voting bloc, not only because of rising numbers but because the propensity to vote increases with age.

First, the numbers.

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Roughly 11 percent of the nearly 40 million Californians today are 65-plus. The state Department of Finance estimates that by 2020, the over-65 cohort will rise to 15 percent, then to nearly 20 percent by 2030, when the youngest of the baby boomers will pass 65, and reach 22.3 percent by 2050, double the current proportion.

One state document puts it this way: “California will surpass the national average for age by 2040 even though it is currently the sixth youngest state in the nation with only 11 percent of its population 65 and older.

Over the next 15 years, those passing the 65-year-old threshold will be mostly white, but later will become a more ethnically mixed group. While the median age of Californians as a whole is about 35 years today, the white median is 44, much higher than that of Latinos (27), blacks (35) or Asians (38). The differentials will narrow over the next 35 years, but even in 2050, the median age of Latinos (38) is expected to be 11 years lower than whites (49).

The most visible effect of these trends will be in California’s workplaces.

Baby boomers are roughly 40 percent of the 20 million Californians of working age – 25 to 64. Over the next 15 years the vast majority will leave the labor force, claiming their pensions and Social Security payments and tapping into their personal retirement accounts and home equity, if they have them.

Some will continue to work part-time, but retirements will leave big holes – especially in the ranks of workers with specialized education and skills.

The Public Policy Institute of California has repeatedly highlighted a growing shortage of college-educated workers due to the baby boomers’ exodus from the workforce, the increasing proportion of jobs demanding four-year or higher degrees and doubts about having enough Latinos to fill the jobs because “this group has relatively low levels of educational attainment.”

“In the coming decades,” PPIC says in one report, “slower growth in the supply of college-educated workers will be a

limiting factor that changes the path of the state's economic growth.”

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A 2012 study by USC's Sol Price School of Public Policy reached a similar conclusion: “Overall ... California's workforce and economy will be increasingly dependent on Latinos,” adding that “it will likely prove necessary to include Latinos as a central part of any plan to facilitate job training or to promote educational opportunity.”

What's been happening – or not happening – in K-12 education does not bode well in that regard.

Education officials have long decried the “achievement gap” that separates black and Latino students from their white and Asian classmates. Closing it is, at least on paper, a high priority for educators and politicians. Gov. Jerry Brown and the Legislature have overhauled school finance to provide extra money to school districts with large numbers of poor and English-learner kids – nearly 60 percent of the state's 6 million K-12 students.

Civil rights and education reform groups worry aloud, however, that the extra money won't be concentrated on the targeted students, but rather dissipated into salary increases and other areas.

Rob Lapsley, who heads the California Business Roundtable, says employers are beginning to weigh the potential impact of baby-boomer retirements and a lack of educated replacements. Some, he says, are taking matters into their own hands. Rather than waiting for the education system to deliver job- and training-ready replacements, they are setting up their own education programs.

“That's only going to grow,” Lapsley says.

Public employers will face a similar dilemma. Los Angeles Controller Ron Galperin warned city leaders in a recent report, for example, that in 2016, 37 percent of the city's civilian workers will be eligible to retire. By 2018 it will be 46 percent.

Uniformed workers – police and firefighters – usually retire in their 50s due to lucrative pension benefits that encourage early exits.

As state and local officials contend with the exodus of baby boomers from their payrolls, report after report makes clear they also will face rising expenses for the heavy demands the elderly place on health care and other public services.

“Because disability prevalence rises steeply with age and the population will be more concentrated in older ages, the overall numbers of disabled elderly will inch upward after 2039 as the population ages,” one draft of the state's “strategic plan” for dealing with the “aging tsunami” says. “Moreover, disabled Californians over age 65 will comprise a considerably greater share of the total state population ...”

The plan projects that “the number of nursing-home residents in California is expected to nearly double over the next 50 years...”

A state Senate report this year declares that “California has not responded to the increase in the aging population or the rich cultural and ethnic diversity of the state. We are plagued by a lack of capacity – especially in rural areas – in services, supports, and workforces across a range of disciplines.”

A California Healthcare Foundation study found that while California has enough acute care hospital beds to handle the medical needs of the elderly, “At current rates of use, demand could exceed supply of skilled nursing facility beds by 2020 and residential care community beds shortly after 2030.”

The squeeze on medical services will be exacerbated by the fact that so many health care workers are themselves members of the retirement-bound baby-boom generation.

Who will pay for those services, even if they are available? The state's younger taxpayers, in large measure.

With Medicare, the elderly have almost universal medical insurance coverage, but the program generally doesn't pay for extended nursing home care. Therefore, its hefty costs often wind up in the state's program for the poor, Medi-Cal – and that's true even for middle-class patients after they have spent down their assets to qualify.

The Alzheimer's Association, for example, estimates that Medi-Cal will see a nearly \$5 billion a year cost just for that disease's rising numbers of victims, not counting those who are infirm for other reasons.

Nor will the potential cost of a graying California be limited to medical services. "As people age, they are less likely to drive due to health limitations, requiring alternative transportation," a Department of Transportation plan notes.

As these impacts of aging confront California's politicians, they will have to also contend with the elderly as a growing political force.

11 million size the over-65 population is expected to surpass by 2050, from about 4.5 million today

The propensity to vote, as noted earlier, rises with age, which is one reason that white Californians, now less than 40 percent of the population, will continue to be a strong majority of voters for years to come.

Florida's elderly retirees comprise about 20 percent of that state's population and are a famously powerful bloc. California's elderly will hit that level by 2030, and can be expected to be just as powerful, or perhaps more so if overall voting rates continue to decline sharply.

It's a recipe for intergenerational conflict with a distinct ethnic tinge.