

# Growth Projections to 2040— Results, Methodology and Assumptions

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# Background

- In 2008, the City retained CCSCE to produce a forecast of demographics, population and jobs for San Jose through 2035
- The forecast was developed using a range of national, state, and local level data including ABAG
- The City retained CCSCE in 2015 to update the population and jobs forecast through 2040 using more recent data

# Overview of CCSCE Projection Update

- Review of ABAG 2013 projections, development of new regional and city job projections
- Focus on jobs and jobs by industry
- Also used preliminary new ABAG projections to develop projections of San Jose population and employed residents

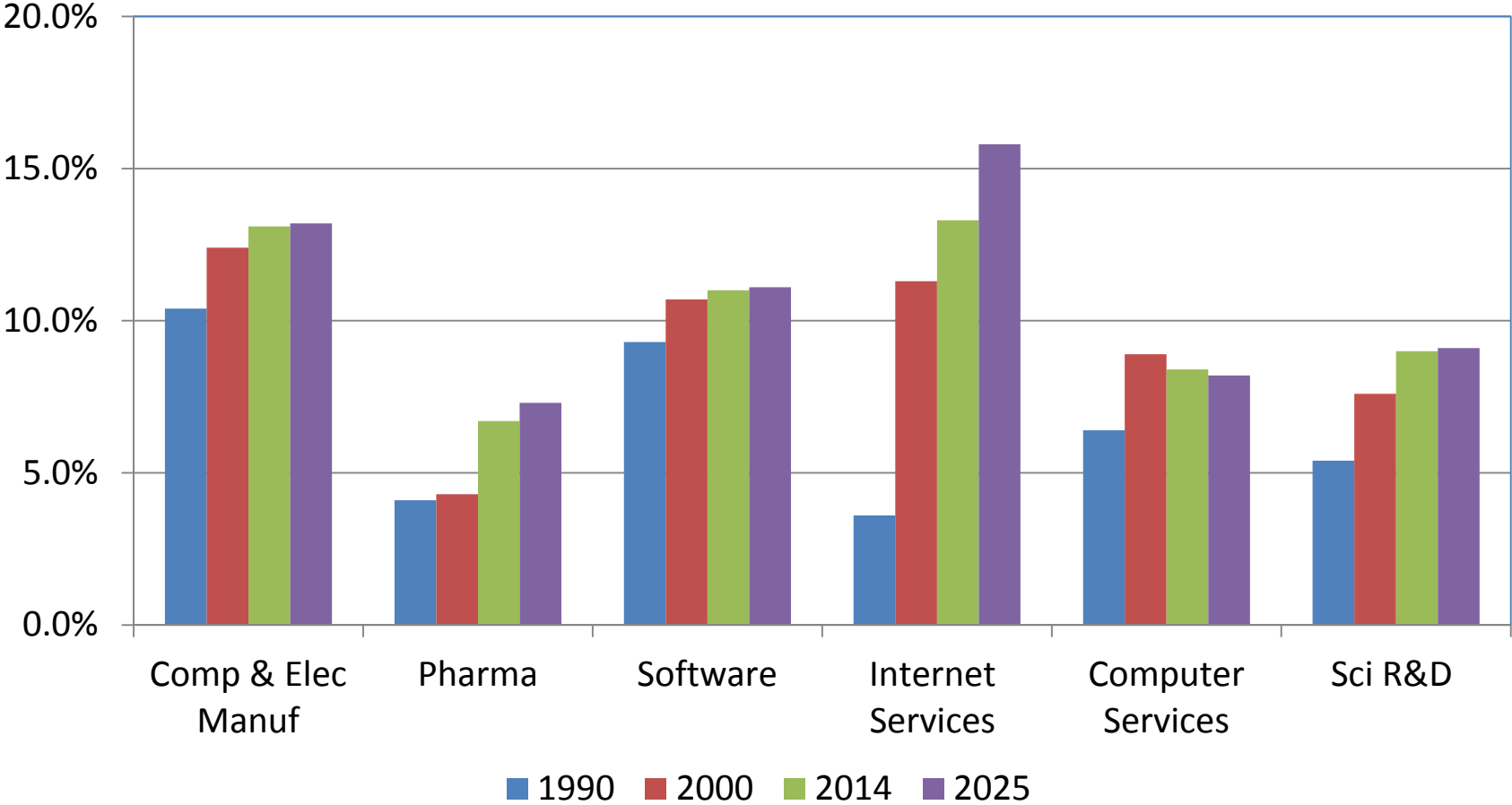
# Regional Job Projections

- Reviewed three national projections to 2040
- Developed new CCSCE regional job by industry projections to 2025, 2035 and 2040
- First developed economic base (Driving industry) projections based on analysis of share trends and U.S. projections.
- Then added population serving industry projections. Total jobs are sum of economic base and population serving projections.

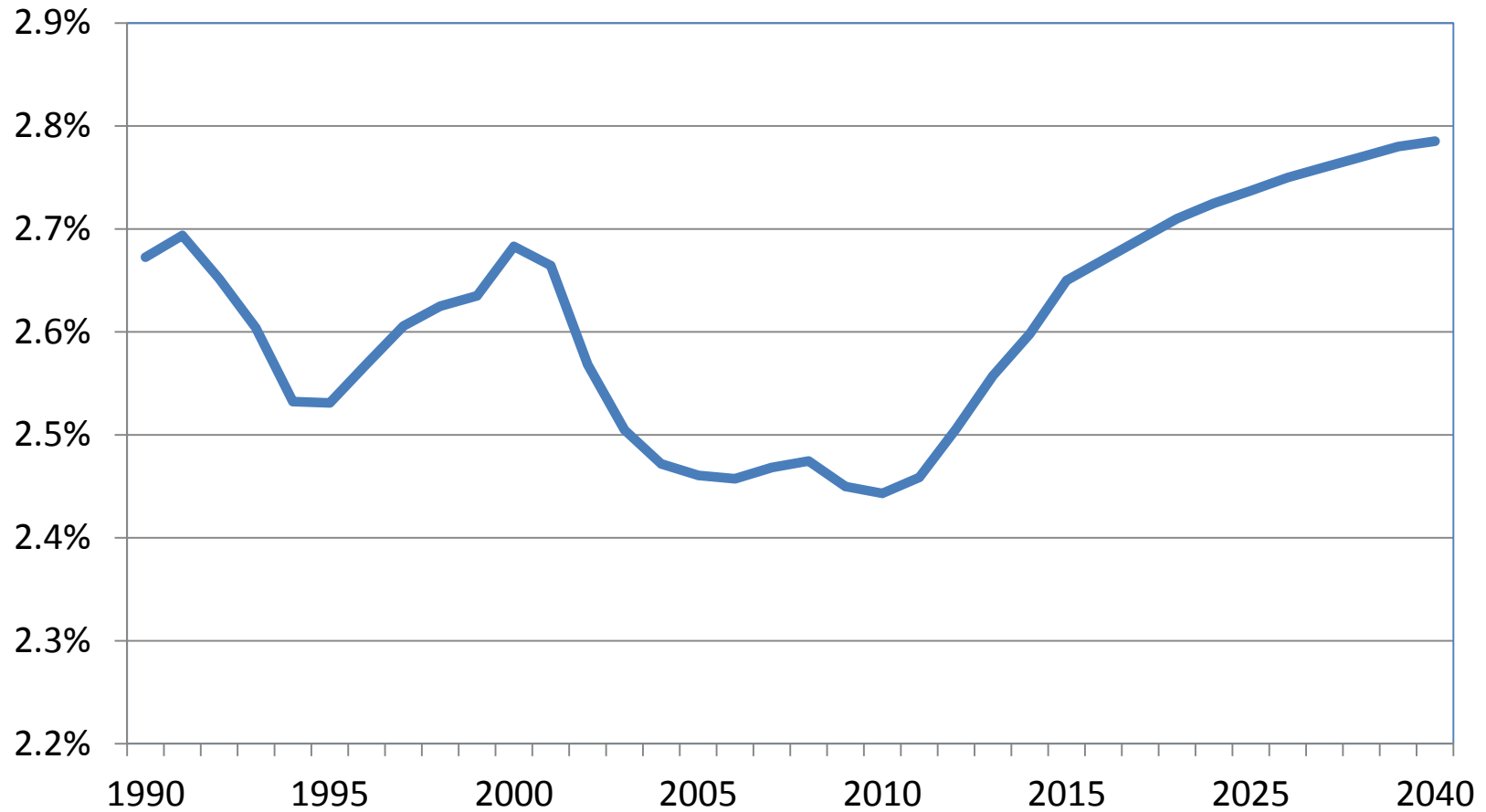
# Key Regional Assumptions and Findings

- Small share increases in a few industries to 2025. Conservatively estimate no share increases after 2025.
- The Bay Area has a favorable industry composition meaning a high share of fast growing industries. That favorable industry composition pushes the overall regional share up even when industry shares are constant.
- In 2040 the regional share of U.S. jobs is projected slightly above 1990 and 2015 levels.

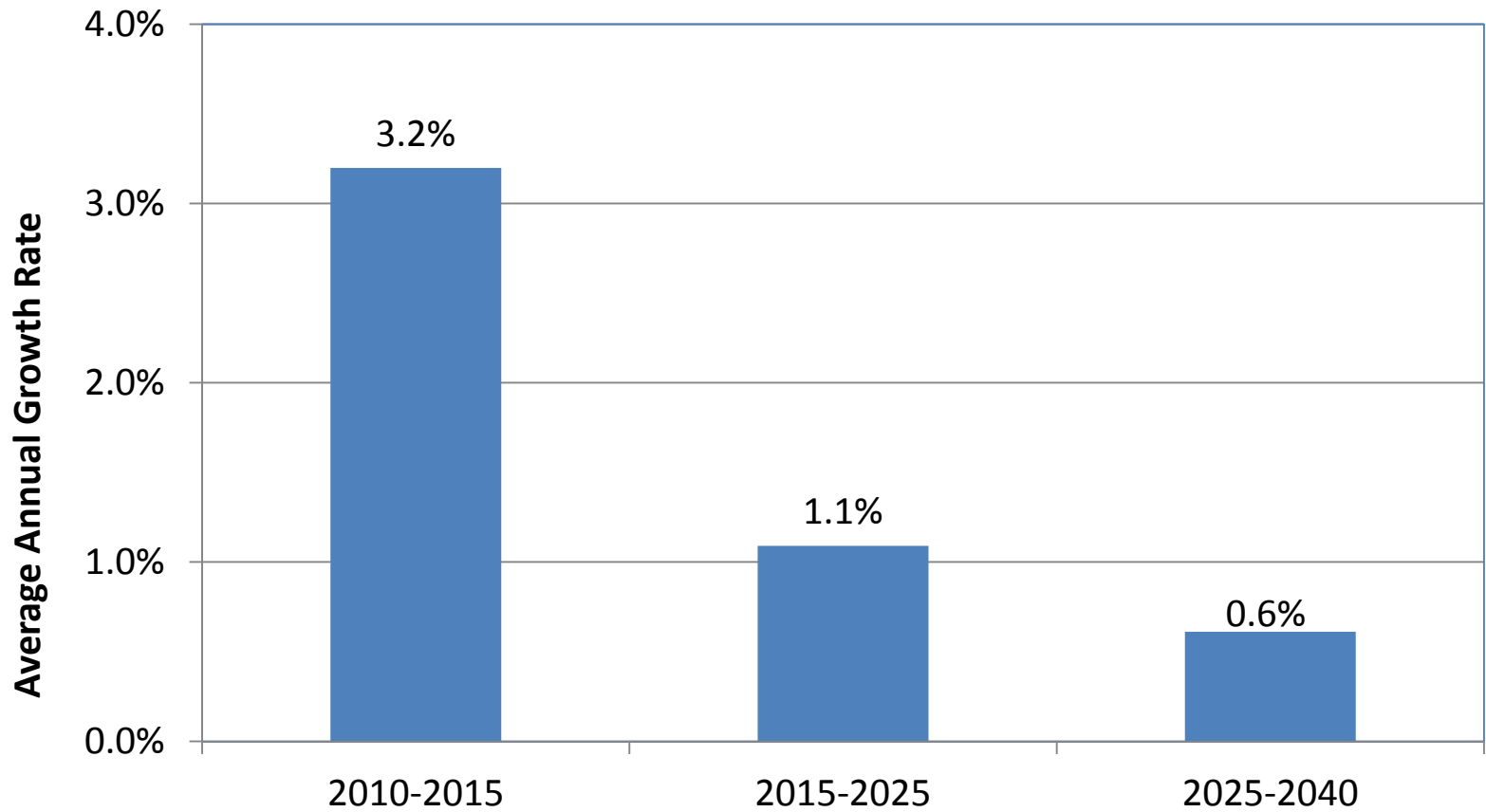
# Sectors with High Shares of U.S. Jobs



# Bay Area Share of U.S. Jobs— Favorable Sector Composition Pushes Share Higher

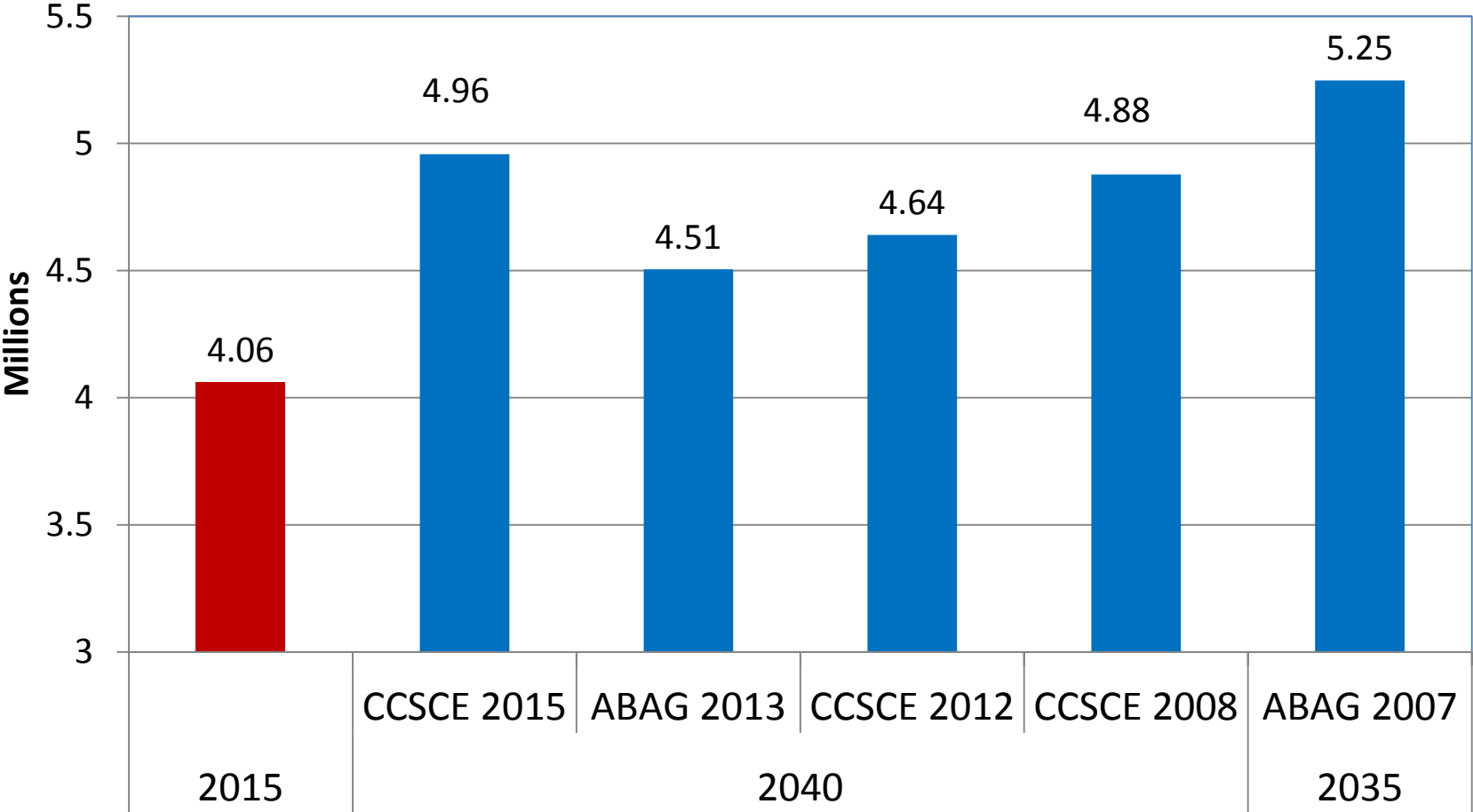


# Jobs Grow But Baby Boomer Retirement Slows the Growth Rate





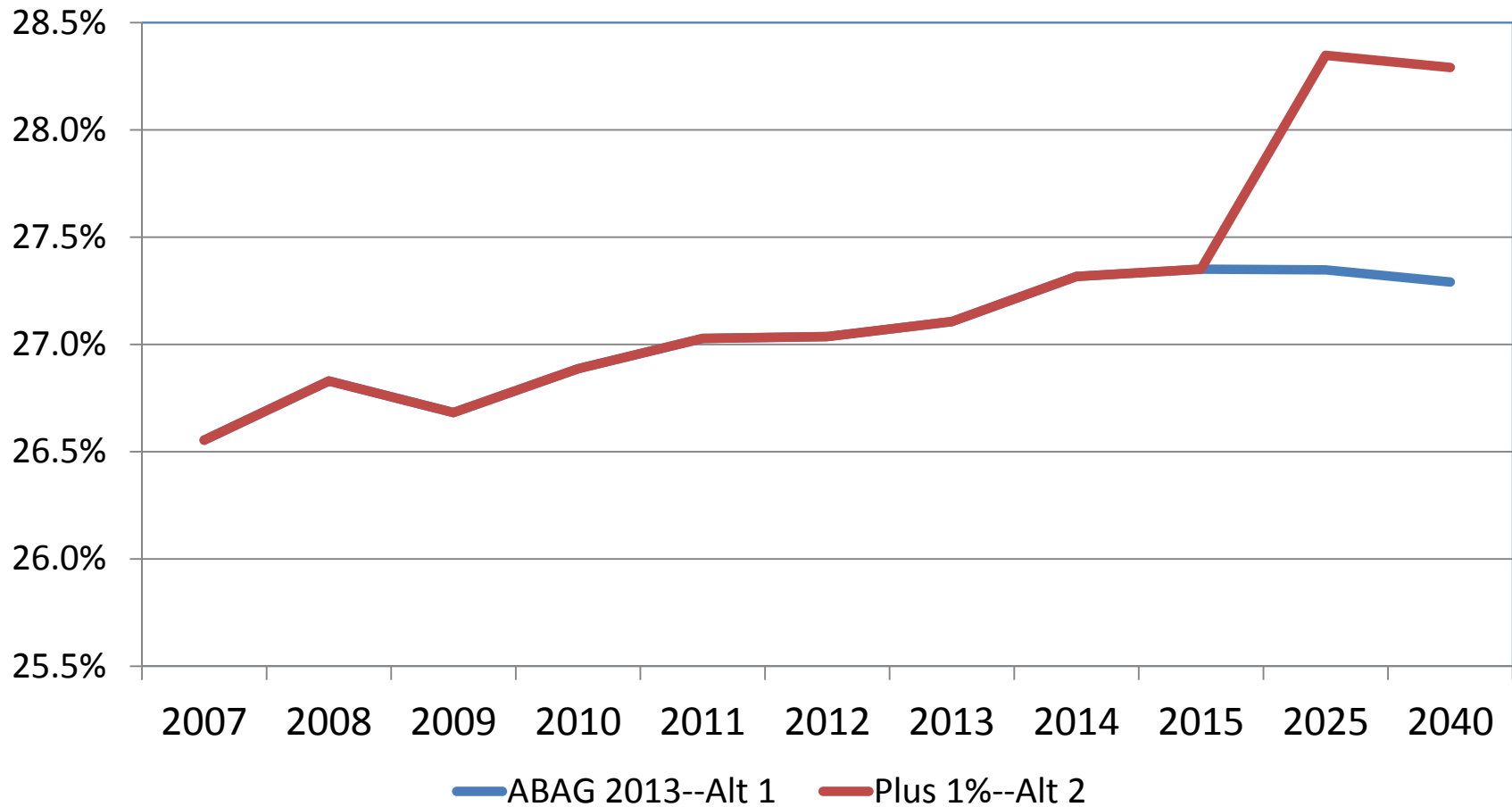
# Projections of Bay Area Total Jobs



# San Jose Metro Area Projections

- Santa Clara County accounts for more than 98% of metro area jobs. The rest are in San Benito County
- A simplified methodology was used for metro area projections. In the first metro area alternative, the 2014 metro area/regional industry by industry job shares were extended to 2025 and 2040.
- In the second alternative, the metro area share was increased by 1% compared to ABAG 2013

# SJ Metro Area Share of Regional Jobs



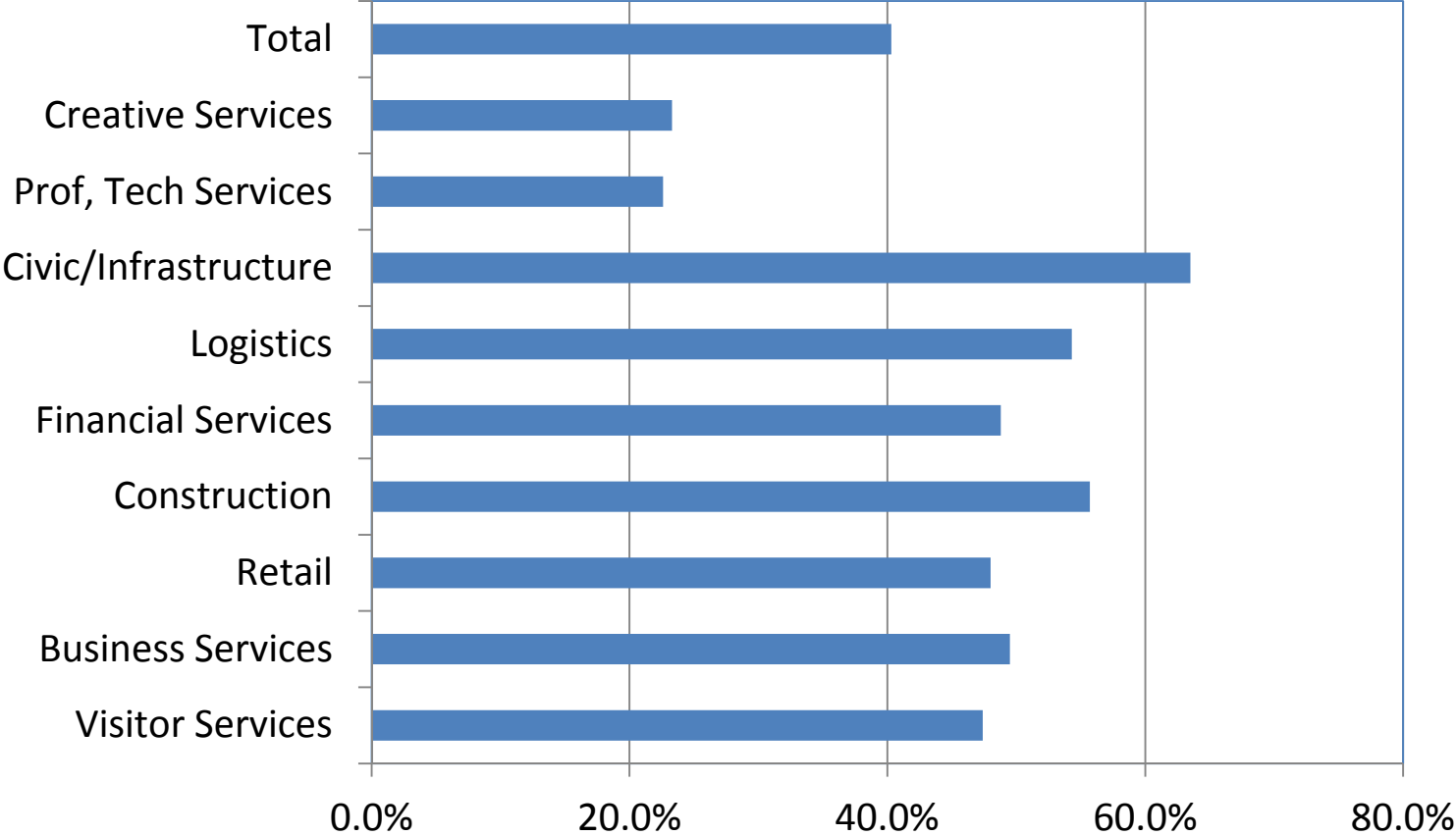
# City of San Jose Job Projections

- Three alternatives were developed.
- The first (lowest) used the 2013 city/metro area industry shares and metro area alt. 1. The 2013 shares were used as the 2014 San Jose job estimates were partial (not a full year) and seemed too low.
- The second alternative used the ABAG 2013 projection that the City would capture 42.7% of metro area jobs in 2040 along with the metro area alternative 1 projections.

# Drivers of Job Growth for San Jose

- San Jose has a high share of metro area jobs in visitor services, business services, retail, construction , financial services, civic and infrastructure and logistics but NOT high tech
- The below average share of high tech job growth relative to the Metro Area has restrained overall job growth in recent years BUT IS NOW A FERTILE TARGET OF OPPORUNITY
- Announcements by Apple and others show that San Jose is well positioned to capture more tech jobs which will help long term job growth

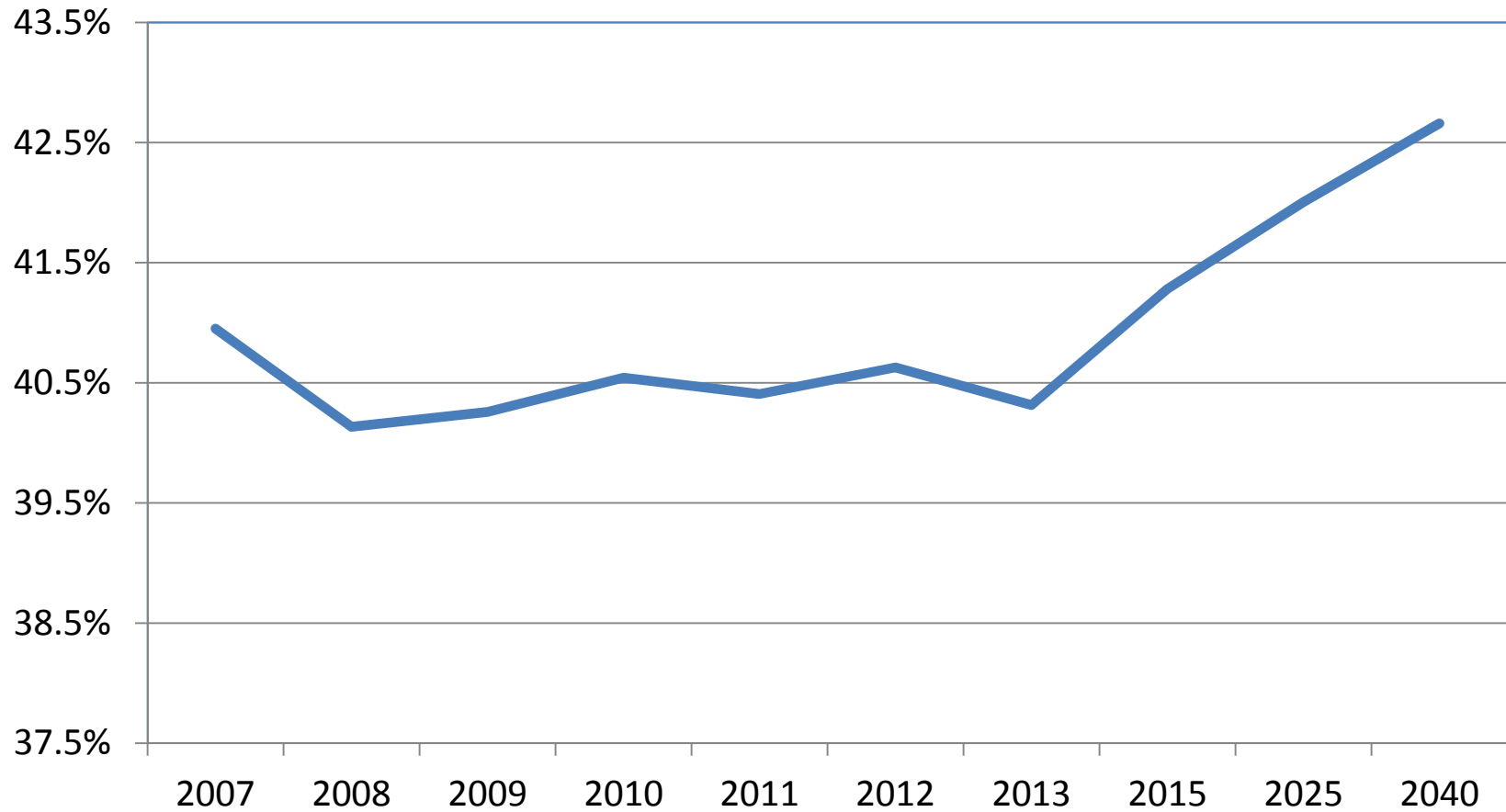
# City Share of Metro Area Jobs 2013



# City of San Jose Job Projections

- Note that ABAG 2013 projects an increasing share of metro area jobs locating in San Jose.
- The 42.0% share in 2025 and 42.7% share in 2040 are above the recent historical shares, which have been pretty steady at around 40.5%.

# San Jose Share of Metro Area Jobs— ABAG 2013 Projections

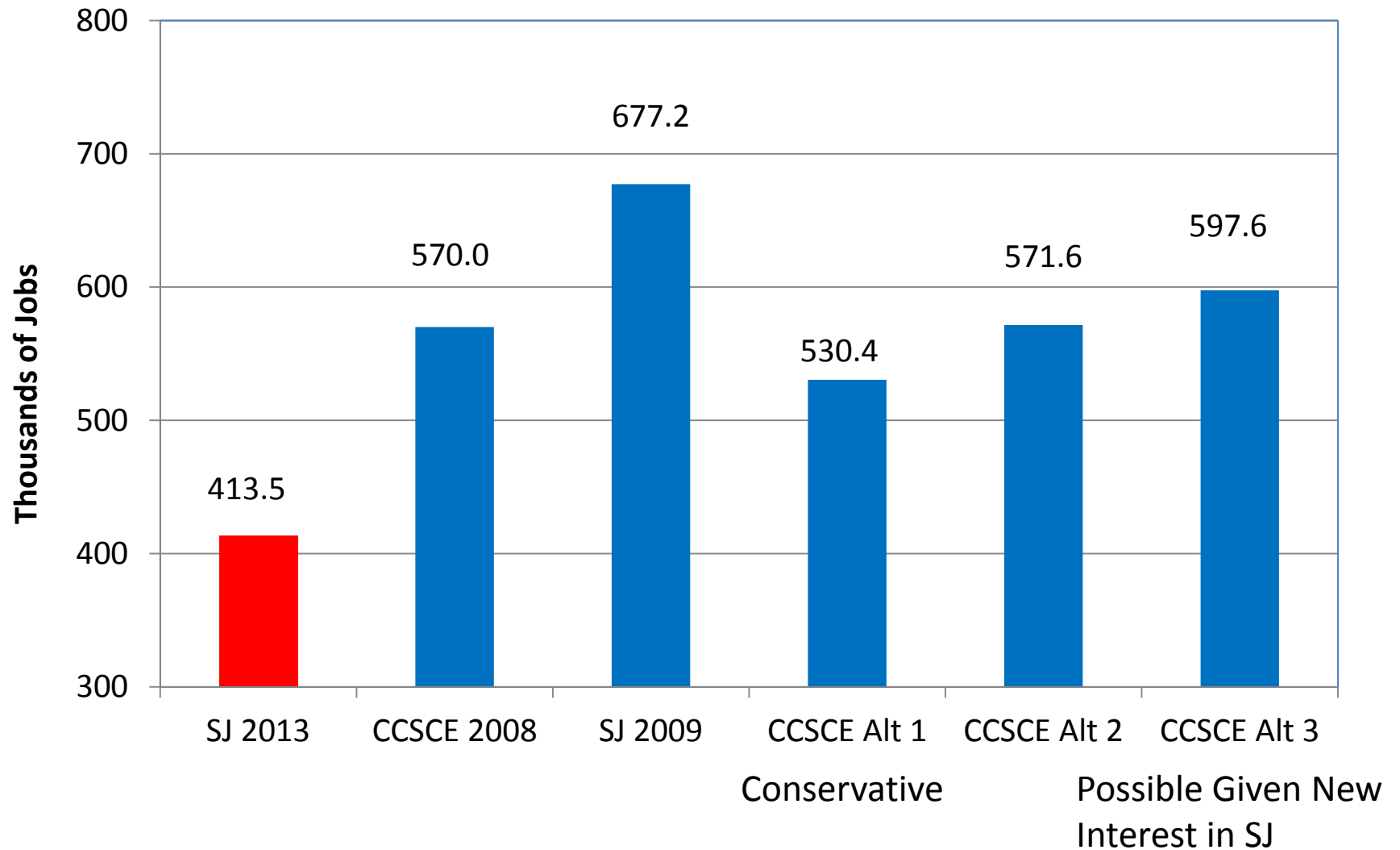




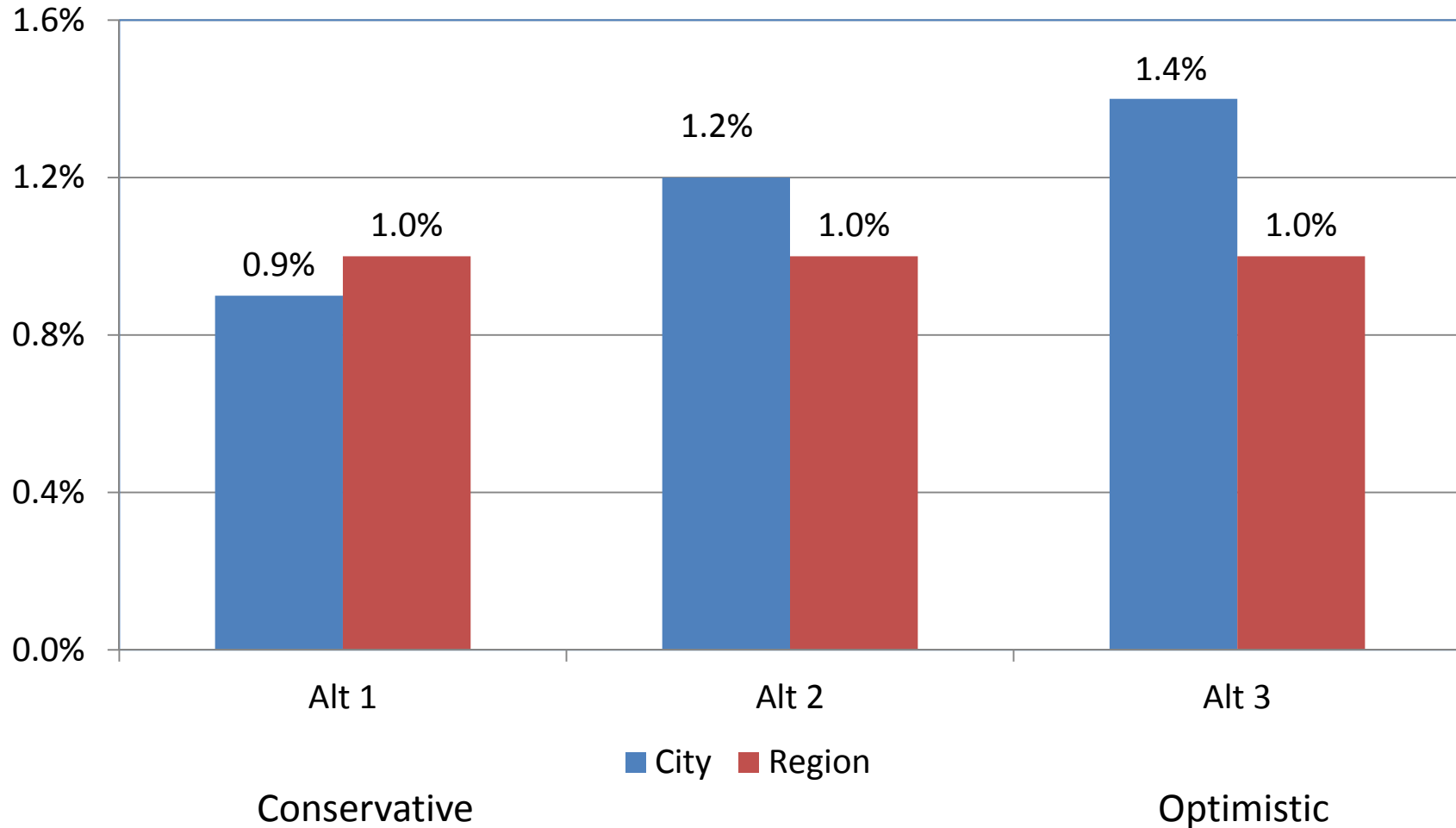
# City of San Jose Job Projections

- The third alternative (highest) combines the ABAG 2013 projected city/metro area shares with the higher (alt 2) metro area job projection.

# San Jose Jobs in 2013 and Projected to 2040



# Average Annual Job Growth Rate 2013-2040



# Discussion of Job Projections

- Questions?
- Comments?

# Projection of Population and Employed Residents for San Jose

- Based on ABAG 2013 and preliminary ABAG demographic analysis. A very preliminary analysis was developed as ABAG is still finalizing their new 2040 regional projections.
- Based on ABAG preliminary demographic analysis and CCSCE's regional job projection, a regional 2040 population of 9.6 million was selected.

# Projection of Population and Employed Residents for San Jose

- The regional population projection does not increase as much as the job projection compared to ABAG 2013 for two reasons:
  - Lower birth rates are assumed based on Department of Finance (DOF) projections
  - Higher labor force participation in 2040 is projected compared to CCSCE's projections for ABAG 2013

# City of San Jose Population Projection

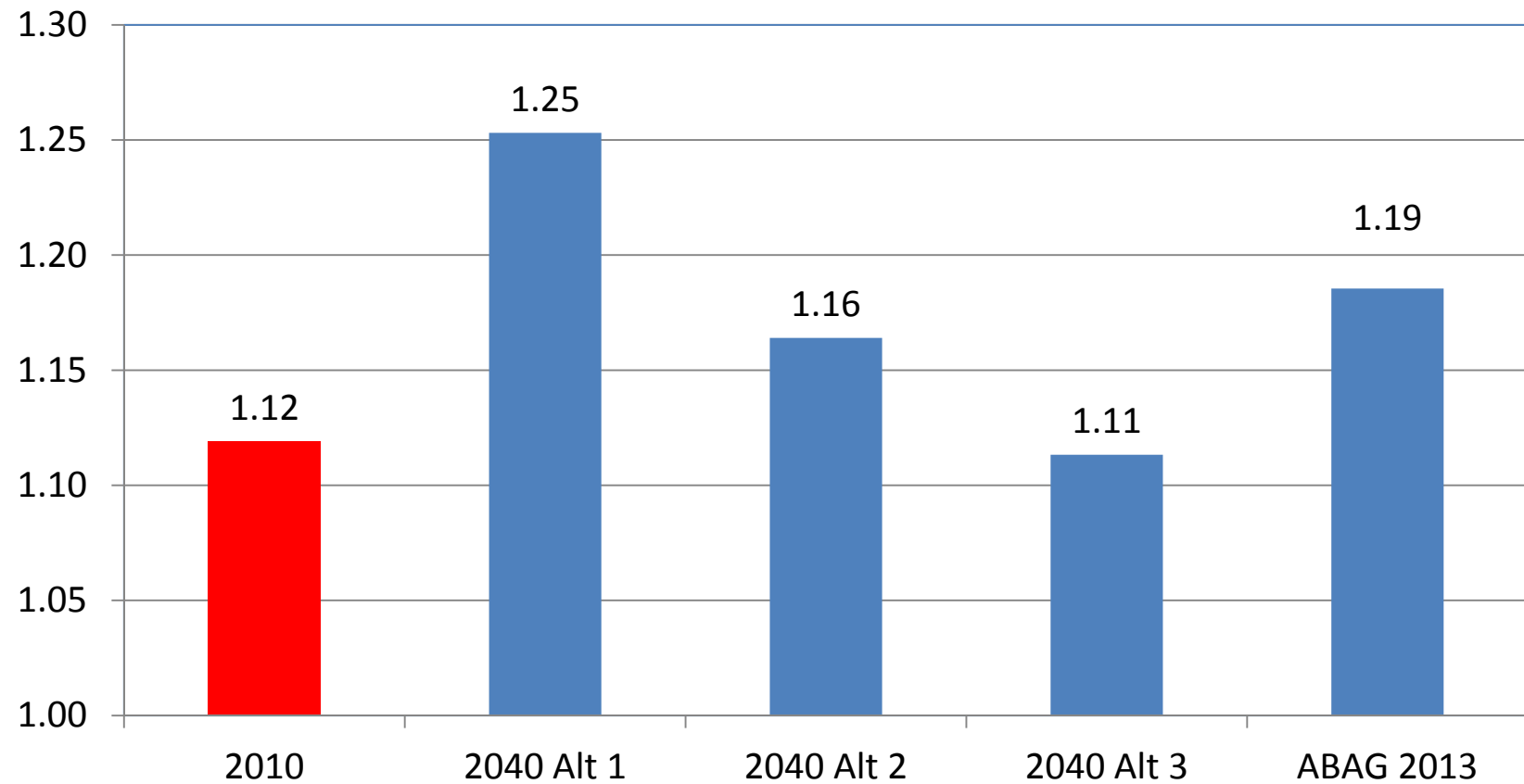
- In ABAG 2013 the San Jose share of the region's population in 2040 was 14.4%.
- Using that share and the 9.6 million regional population projection, San Jose would have 1,379,108 residents in 2040.

# City of San Jose Employed Residents

- The number of employed residents is determined by the population of working age (16+), the labor force participation rate and the unemployment rate.
- The CCSCE analysis used the DOF share of population 16+ in 2040 for Santa Clara County and an unemployment rate of 5.0%.
- The labor force participation rate was 0.5% higher than the ABAG projected county rate reflecting recent trends.



# Projected Employed Residents per Job



# Projected Jobs per Employed Resident

