California’s demographic profile continues to change. Life expectancy is increasing while birth rates have been trending downward for decades. Compared to previous generations, people are more likely to extend their education and enter the workforce later, delay starting families until their thirties instead of their twenties, and have fewer children. Working well into one’s sixties is becoming more common. Even so, the needs of an aging population will increase in importance as those over 65 grow in number and share of the population. Although younger cohorts will comprise a smaller overall share of the population, their numbers will remain significant.

Demographic Outlook

California continued to experience moderate population growth of 0.9 percent in fiscal year 2014-15. As of July 2015, there were an estimated 39.1 million people residing in California. The population is projected to increase to 39.4 million in 2016 and 39.8 million by 2017, continuing short-term annual growth rates of 0.9 percent for both years. California’s population is expected to reach 40 million in 2018.

Over the next five years, the state is projected to grow by an average of 345,000 residents annually. Natural increase (births minus deaths) will account for most of the growth. The number of individuals moving to California from other states and countries will continue to exceed those moving out, due to international migration.
Figure DEM-01 displays the growth rate of California’s population from 1998 to 2020.

**Figure DEM-01**

California’s Annual Population Growth Rate

**Population Change**

Nearly 9.1 million people— or 23 percent of California’s population—are less than 18 years old, which is a slightly higher percentage than the remainder of the U.S. California also has a lower percentage of those ages 65 and older and a younger median age when compared to the U.S.

A key age cohort for California’s future is comprised of those born as part of the “echo boom”— individuals with one or both parents born during the baby boom era. Currently the largest five-year cohort in both California and the U.S. is the 20 to 24-year-old age group. For California, over 46 percent of this group has attended some college, a significant increase over the 41 percent just eight years ago. In the coming years, these echo boomers will move out of the college-age population and enter the working-age population. Their choices will have a long-lasting influence on California’s economy and labor force.
In contrast, over 1,000 California baby-boomers turn 65 years old every day, a number expected to be over 1,250 per day in 2020. More than 5 million Californians are at least 65 years old. Over the next 25 years, the proportion of the population over 65 years will grow from 14 percent to 21 percent (Figure DEM-02). At the same time, the working-age (25-64) population will grow slowly in number and decline in population share. Absent a significant change in fertility rates, the age structure of the population is likely to stabilize with a higher proportion of older Californians. The aging of the population is driven by two factors—a longer life expectancy and lower birth rates.

Fertility
Birth rates have been declining nearly every year for the last 20 years. Fertility has recently fallen below the replacement rate, such that without migration, California’s population would eventually begin to shrink. While birth rates are somewhat higher than levels seen during the Great Recession, they are not expected to return to replacement levels in the next decade.
Recent shifts in fertility from younger mothers to older ones drive the change in birth rates. Mothers of newborns are now older than their counterparts were two decades ago. This shift has seen teen birth rates decline along with the birth rates of women ages 20-24 and 25-29 (Figure DEM-03). This decline has been partly offset by increased fertility among women of older ages, especially ages 35-39. As recently as the year 2000, the fertility rate of women age 35 was just half that of women age 20, but by 2014, the birth rates of these two groups were nearly equal. Overall fertility has declined since 1990, with a brief increase during the late 2000s.

The decline in fertility has occurred for all race/ethnic groups during the past two decades. Since 2007, Hispanic fertility has fallen very rapidly, resulting in Hispanic fertility rates that were quite close to the statewide average for 2014.