



**Massachusetts
Taxpayers Foundation**

Massachusetts' Demographic Trends Threaten our Talent Pipeline and Economic Strength



About MTF

Founded in 1932, the Massachusetts Taxpayers Foundation (MTF) is a non-profit, non-partisan public policy organization focused on state and local fiscal, tax and economic policies

MTF's record of high quality research and non-partisan analysis has earned the organization broad credibility on Beacon Hill and across the Commonwealth

Our mission is to provide accurate, unbiased research with thoughtful recommendations that strengthen the state's finances and economy to foster the long-term well-being of the Commonwealth and economic opportunity for all



Massachusetts Demographic Trends are Troubling

- As the following data indicate, Massachusetts faces a serious hurdle – a growing shortage of workers that threatens the state’s economic future.
- Over decades, low birth rates and hundreds of thousands of people leaving the state were offset by international immigration that kept the state’s population and economy growing.
- COVID shutdowns reduced international migration while driving more residents to seek a more affordable quality of life elsewhere.
- The next few years could determine whether the state can overcome these hurdles to recruit and retain talent to remain globally competitive.

The Massachusetts Talent Shortage is Well Documented

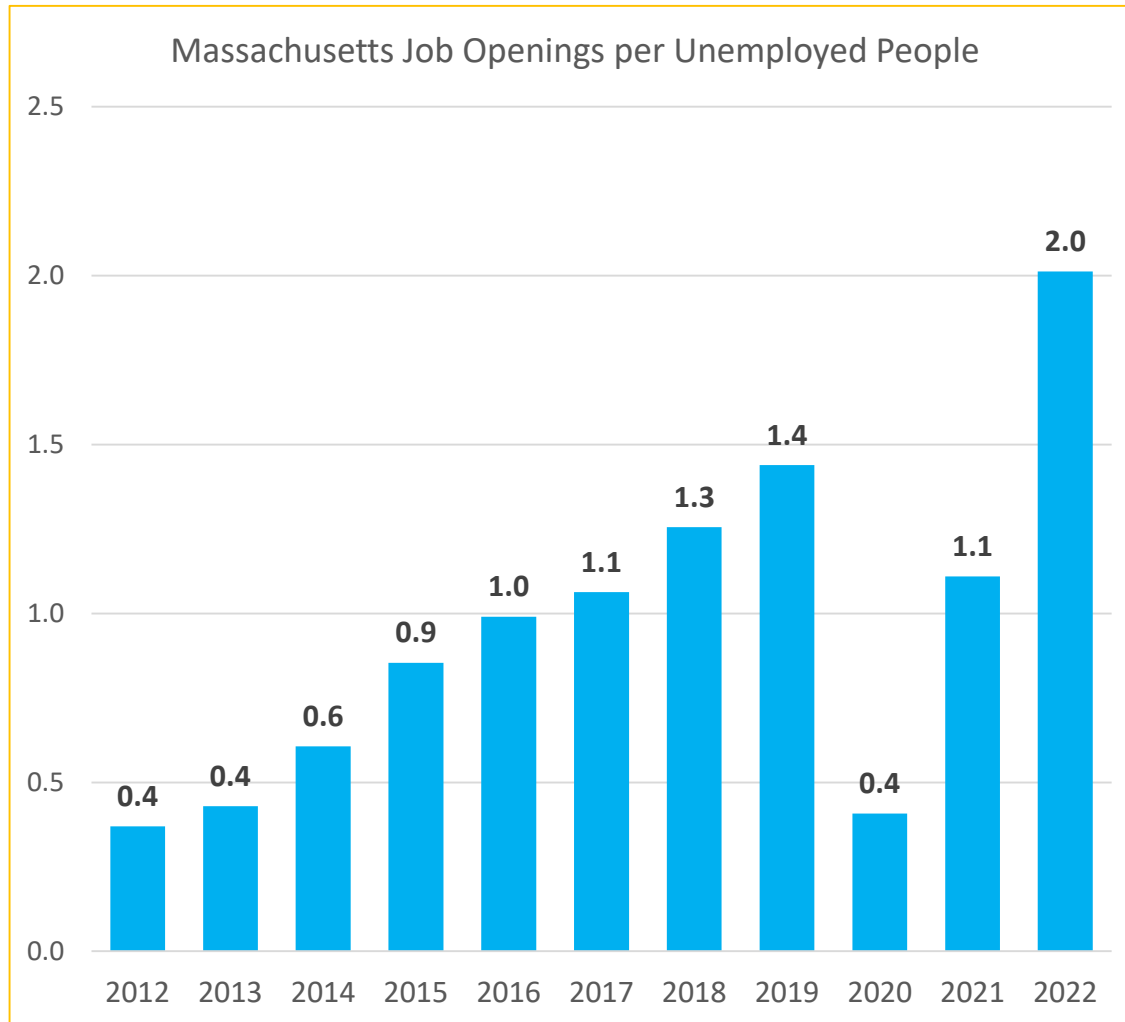
McKinsey Report – *Preparing for the Future of Work*:

- Workforce training may be required at an unprecedented scale and pace.
- Equitable housing opportunities will be key to retaining and attracting people.

MTF Report – *Heeding the Warning Signs*:

- The high costs of housing and commuting, combined with new flexibility of remote work, is shifting residential choices.
- People moved out of Massachusetts in 2021 at the highest rate since 2005.
- The high costs of living exacerbate workforce shortages and constrain the state's talent pipeline.
- ***But these workforce challenges developed before COVID. Why Demographics Matter.***

Massachusetts Has Over 2 Available Jobs for Every Unemployed Person, a Troubling Trend for Employers



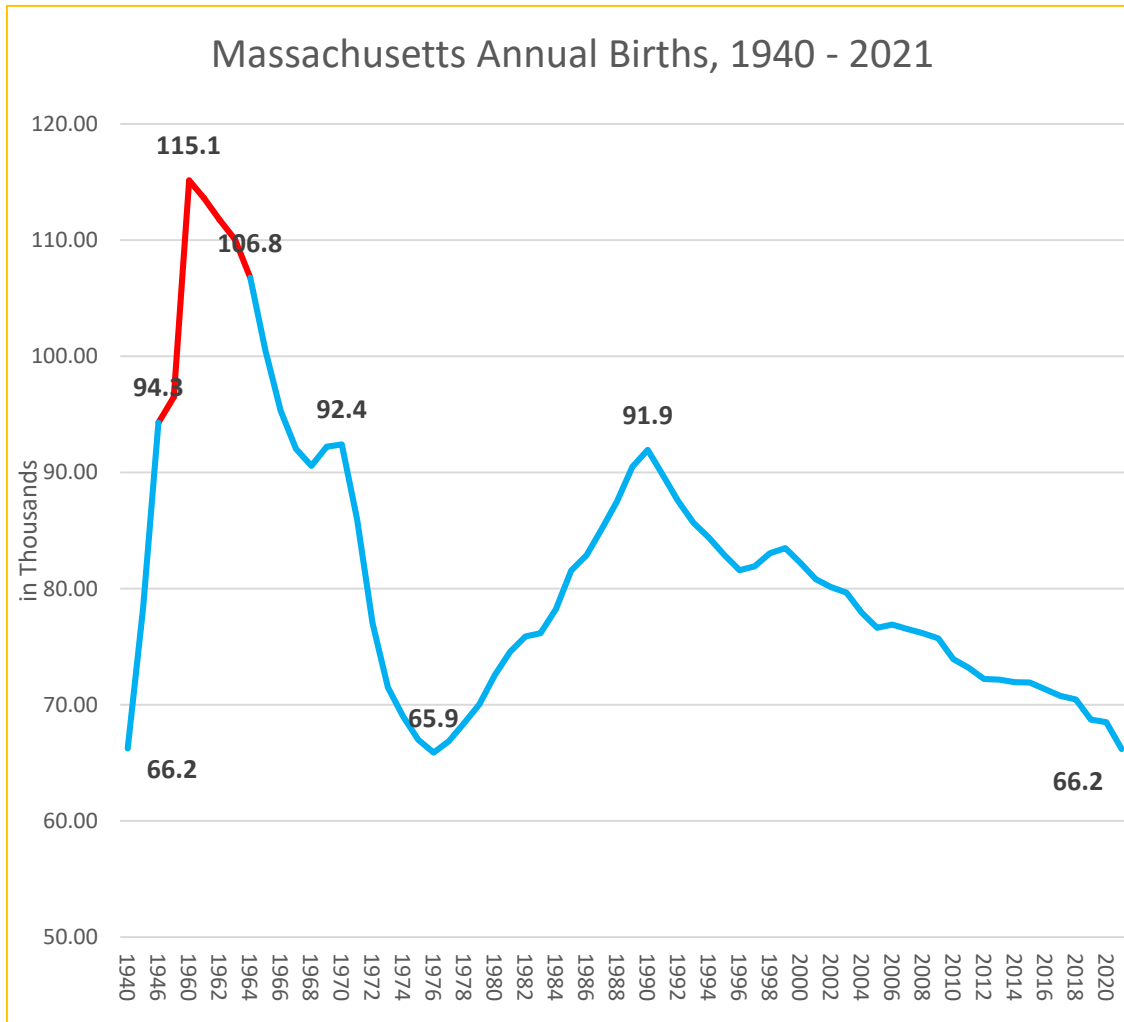
Job openings per unemployed person jumps to over 2.0 in 2022 – up from 1.4 in 2019 before the pandemic – suggesting a growing labor shortage as Massachusetts residents exit the labor force

Here's What's Driving Workforce Shortages

- Population growth slows
 - Births continue to fall
 - Deaths due to an aging population increase
- Migration trends turn negative
 - Domestic outmigration spikes
 - International immigration plummets
- COVID accelerated all of the above

Births Plummet – Now at Their Second Lowest Number Since 1940

(red line denotes baby boomers)



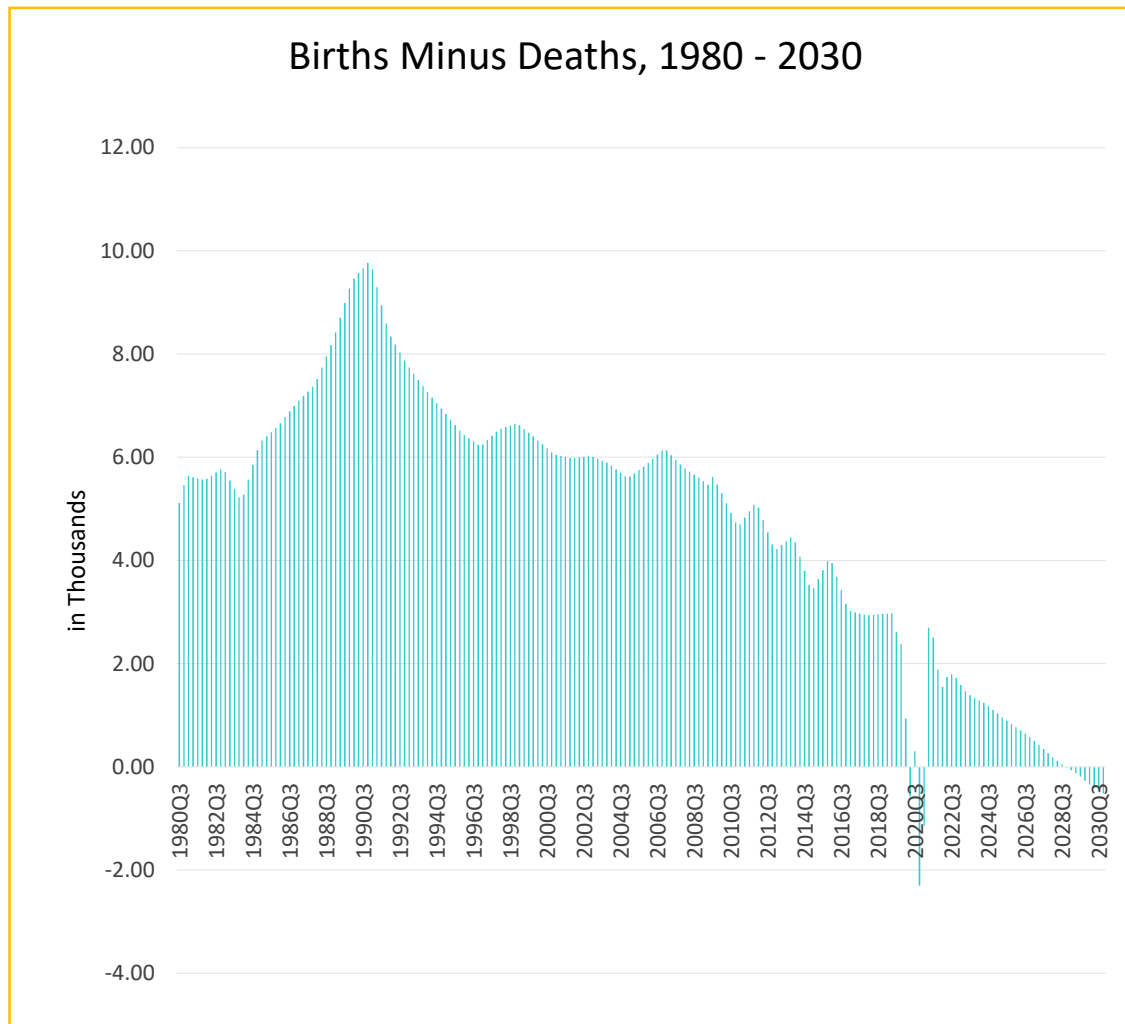
For 25 years (1946 – 1970) births topped 90,000 averaging 100,000 annually.

For the past 50 years, births surpassed 90,000 only twice, averaging 77,000.

Births have fallen by nearly 30% since 1990.

If the number of births remained at 90,000 per year from 1991 to 2021, there would be over 400,000 more Massachusetts residents.

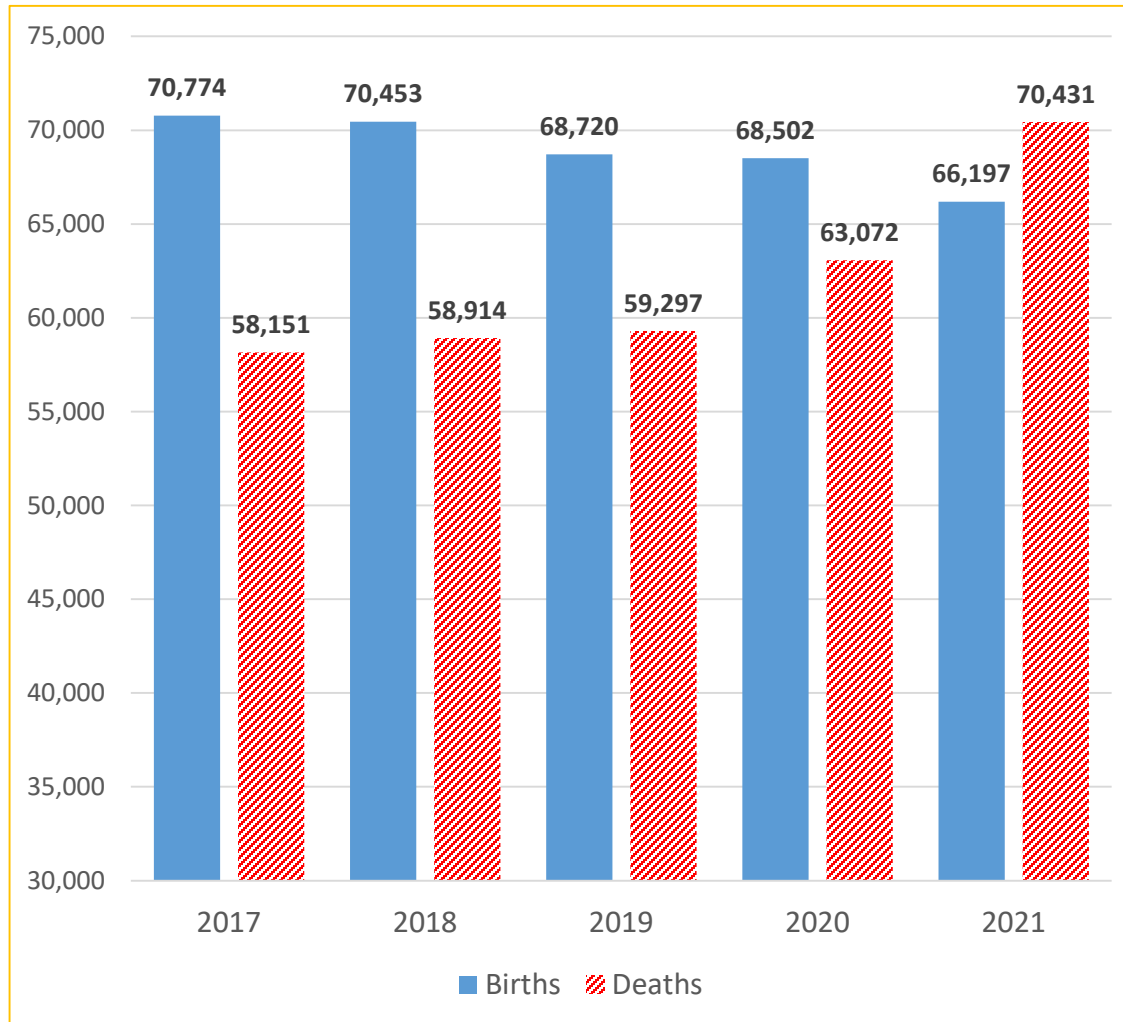
Natural Population Growth (births minus deaths) Has Steadily Declined Since 1990



Deaths exceeded births during the pandemic as births declined and deaths jumped due to the coronavirus.

Growth is projected to turn negative by the end of this decade.

The Pandemic Decreased Births and Increased Deaths, Leading to Negative Population Growth

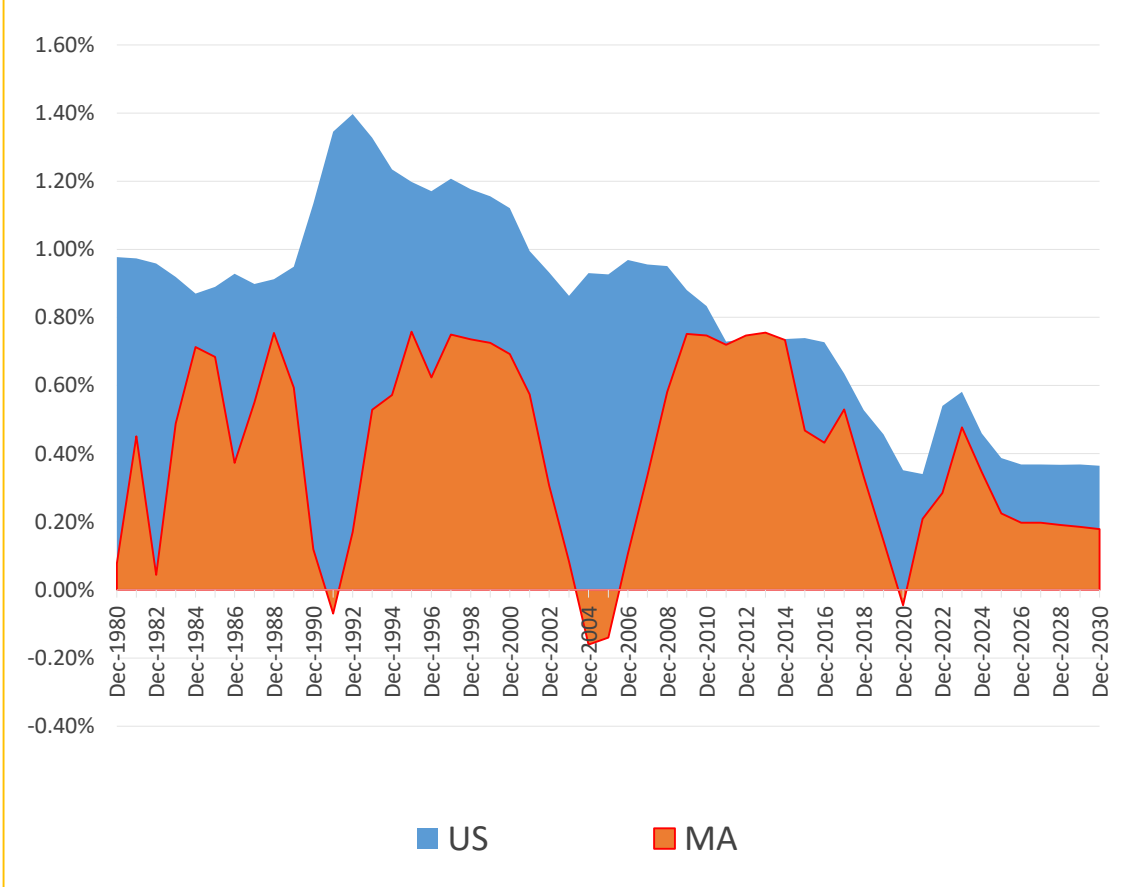


In 2021 during the height of the pandemic, total births dropped 2,300.

Deaths, on the other hand, jumped by approximately 4,000 in 2020 from the annual average of 59,000 and then spiked by another 7,000 in 2021.

Factoring in Migration Trends, Massachusetts' Population Growth Has Been a Problem for Decades

Year-over-Year Change in Population, US vs MA, 1980 - 2030

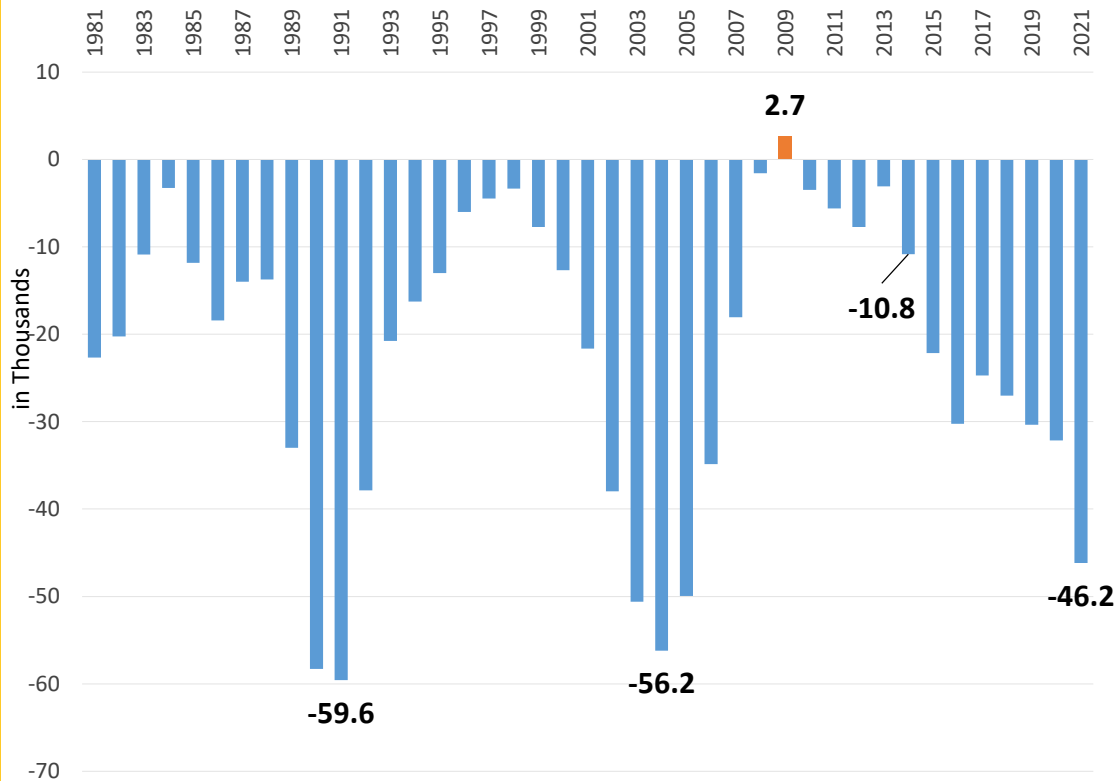


Population growth declined significantly during the recessions of the early 80's, the late 80's / early 90's, and the Dot com bust in 2002 as people left for better economic opportunities.

This gap expanded during the pandemic as once again, people left the state for other regions.

Domestic Outmigration is Not New, But the Reasons for Leaving Have Changed

MA Net Domestic Migration, 1981 - 2021



Massachusetts lost 900,000 people to other states since 1981 or 250,000 more than the current population of Boston.

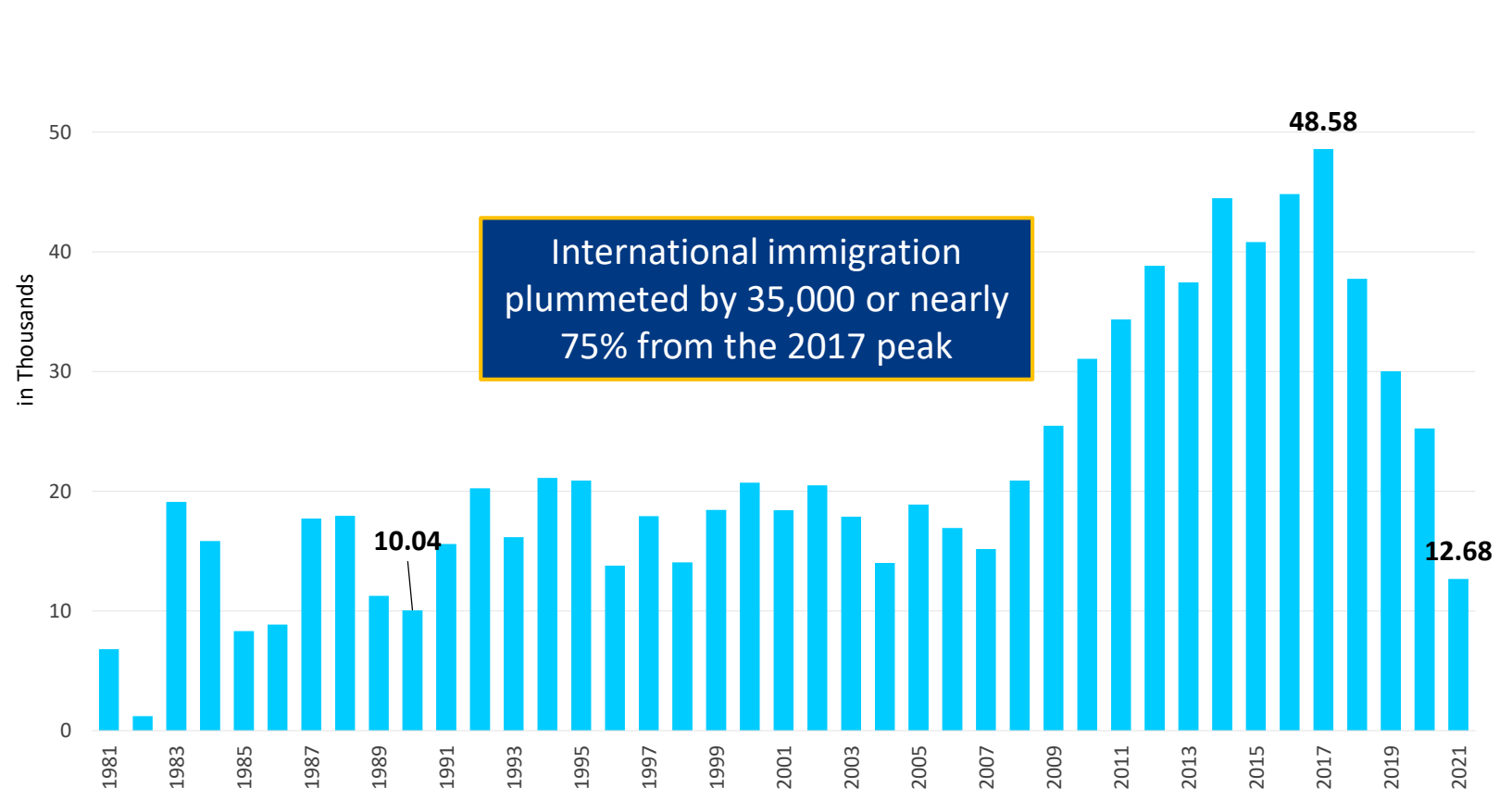
Outmigration peaked during recessions in the early 1990's and 2000's when economic opportunities were greater elsewhere.

Yet, outmigration quadrupled since 2014 despite economic growth, spiking in 2021 during the pandemic.

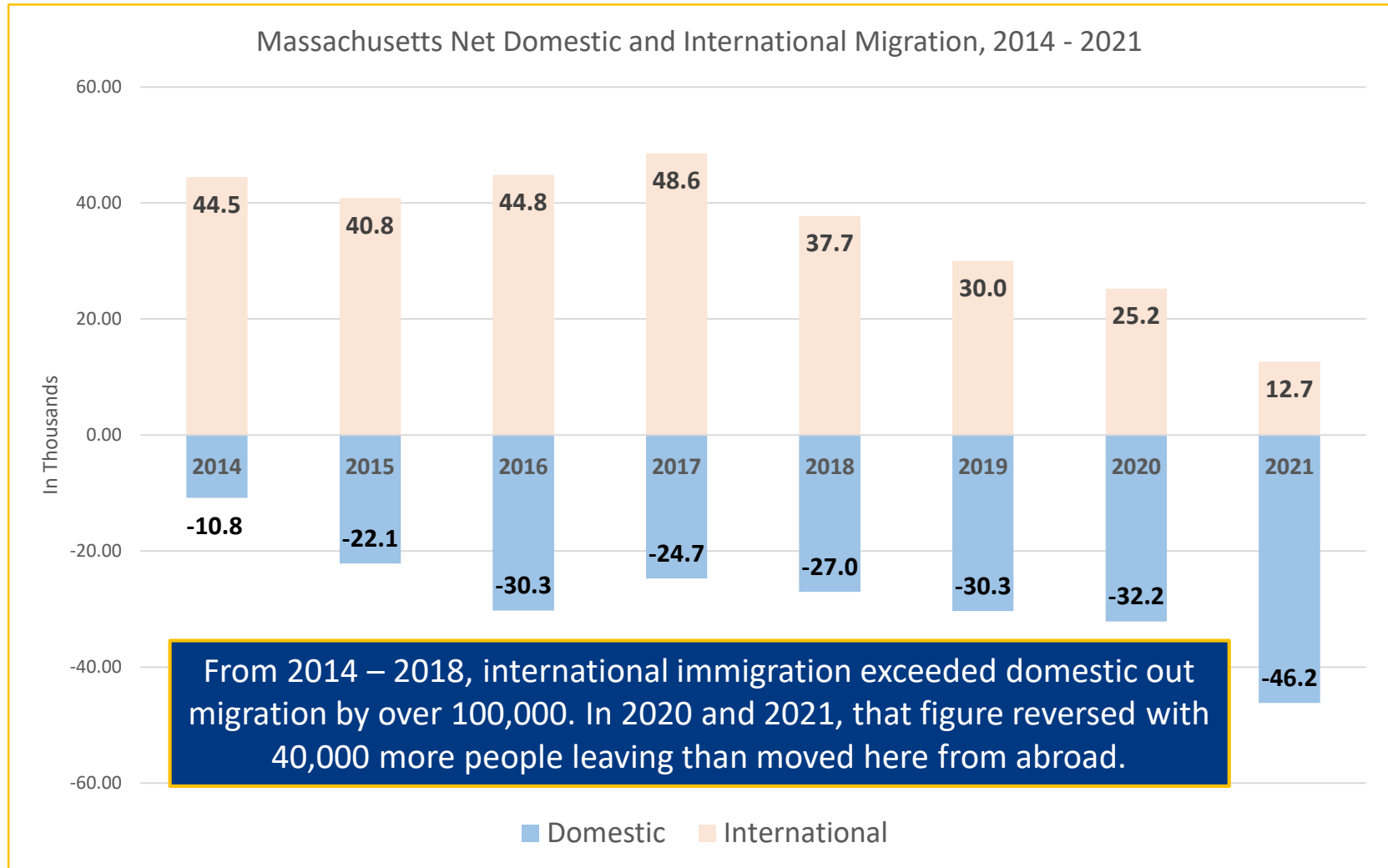


International Immigration Plateaued for 25 Years, Climbed Over the Next 10, then Plunged to Lowest Point Since 1990

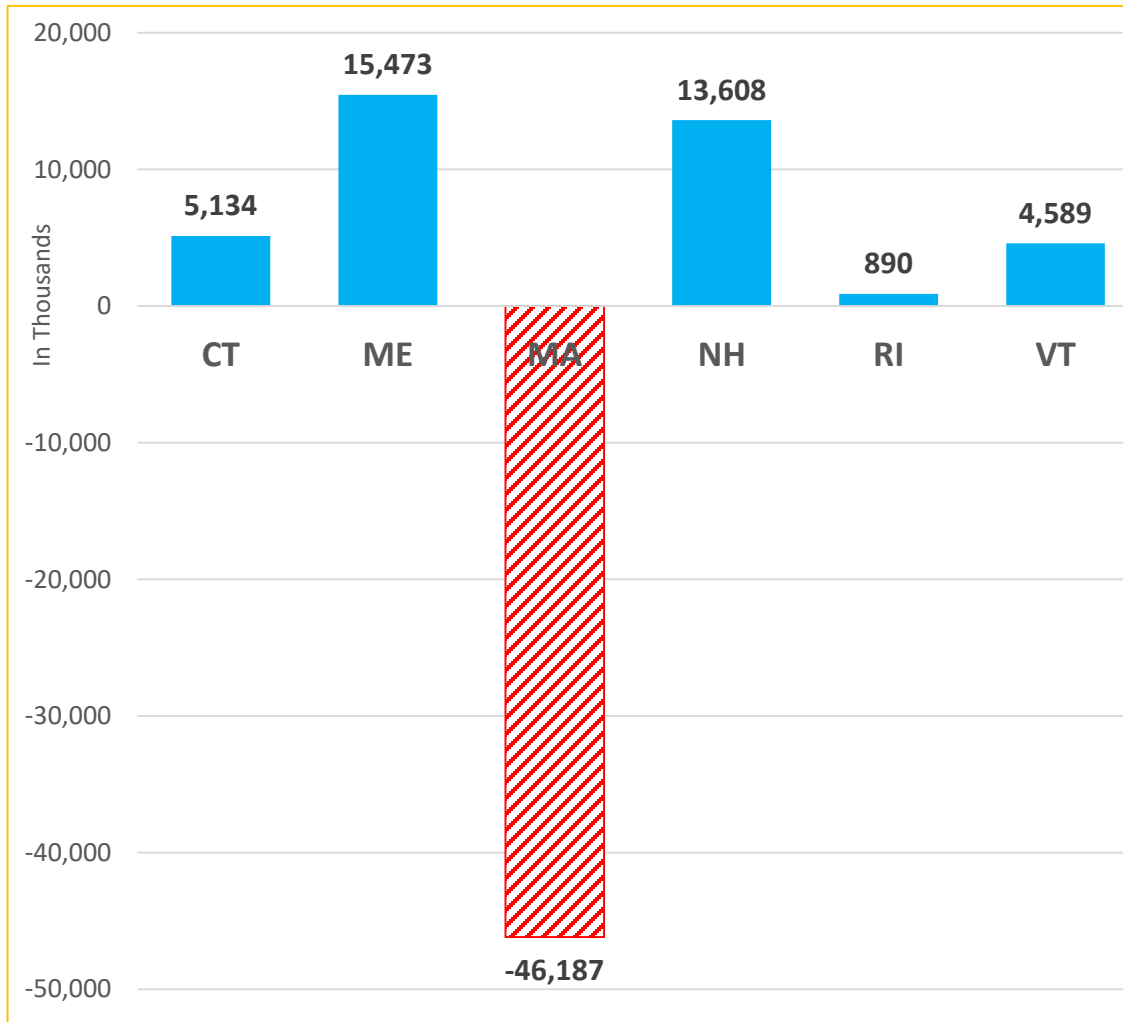
Massachusetts Net International Migration, 1981 - 2021



The Net Effect: International Immigration No Longer Offsets Domestic Outmigration; Workforce Affected



State Competition Increased Dramatically – More Residential Options Raises a Red Flag on the State’s Economic Future

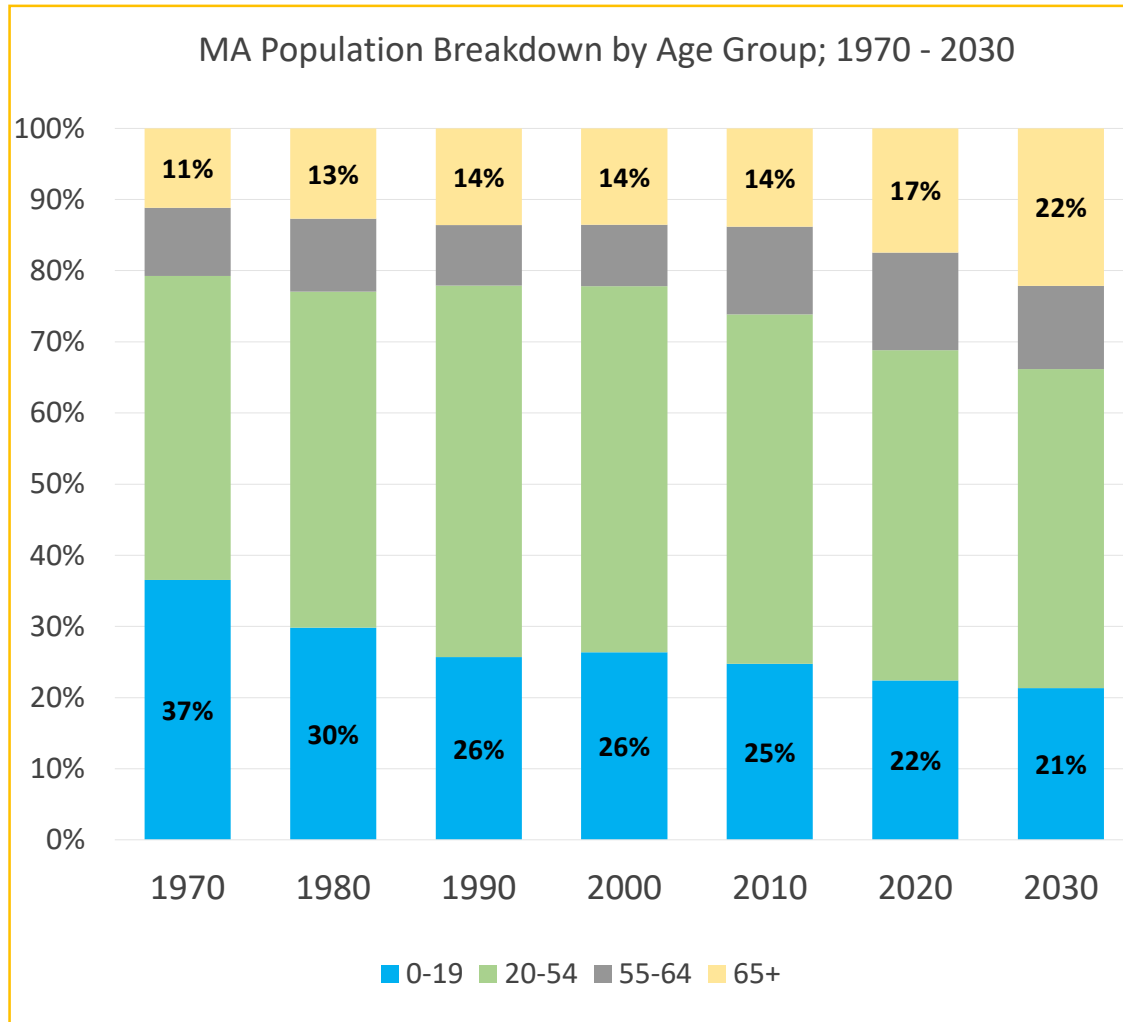


Massachusetts lost 46,000 residents in 2021, the 4th most in the country.

The other New England states gained 40,000.

Of the 67 New England counties, only 9 lost population in 2021. 7 of them are in Massachusetts.

The State's Aging Population Erodes the Size of the Labor Force

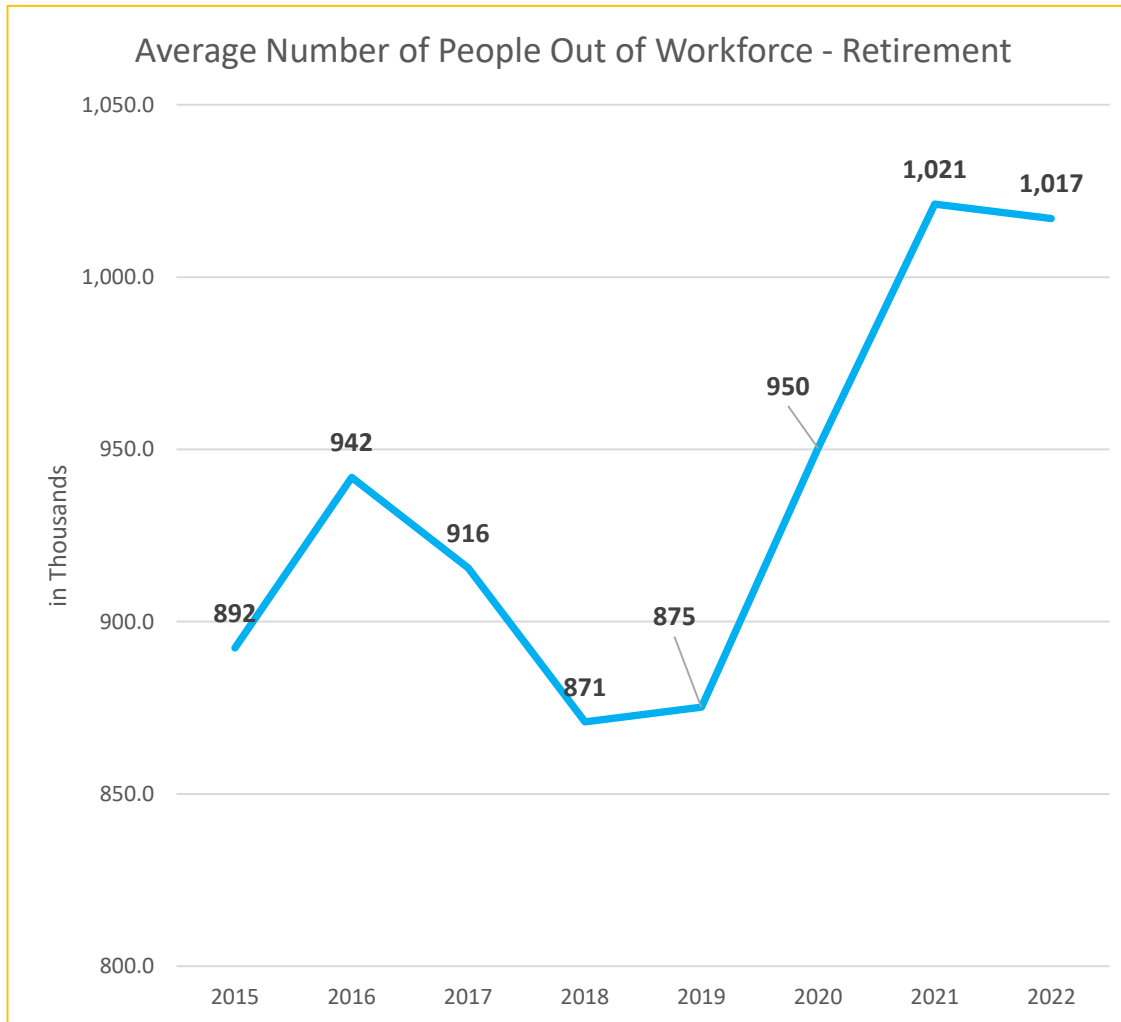


The composition of the state's population continues to age.

Those aged 0-19 fell from 37% in 1970 to 22% in 2020.

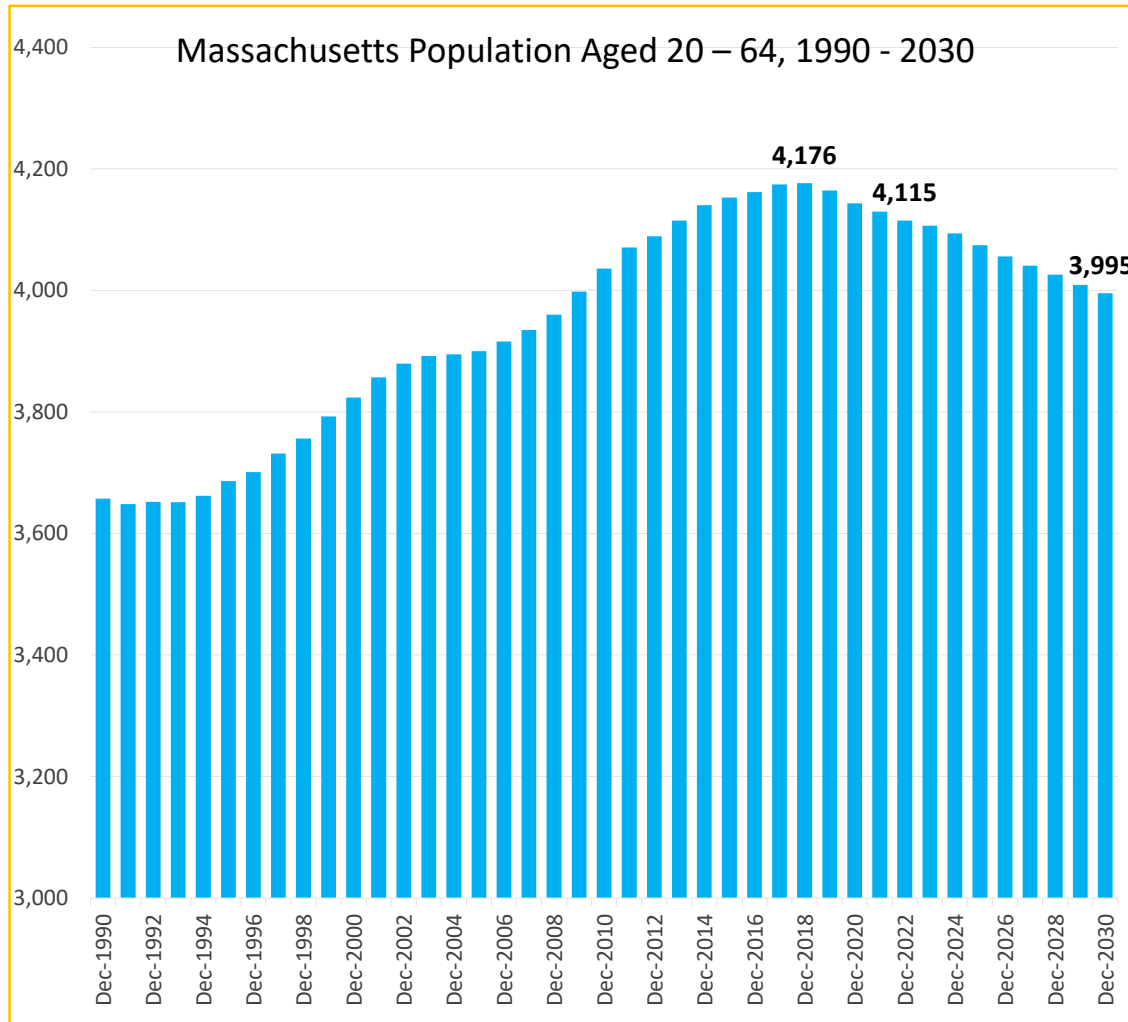
While those aged 65+ is projected to double from 11% in 1970 to 22% in 2030.

As the State Saw a 17% Jump in Residents Leaving the Labor Force Due to Retirements in 2021 & 2022



An aging population as baby boomers hit retirement age coupled with the effects of COVID driving some to retire earlier than planned are likely causes for the spike over the last three years.

The Net Result: the Massachusetts' Workforce Peaked in 2018, the Steady Decline Constrains Future Growth



The workforce population (20 – 64) peaked in 2018 at 4.18 million, is projected to fall 180,000 by 2030.

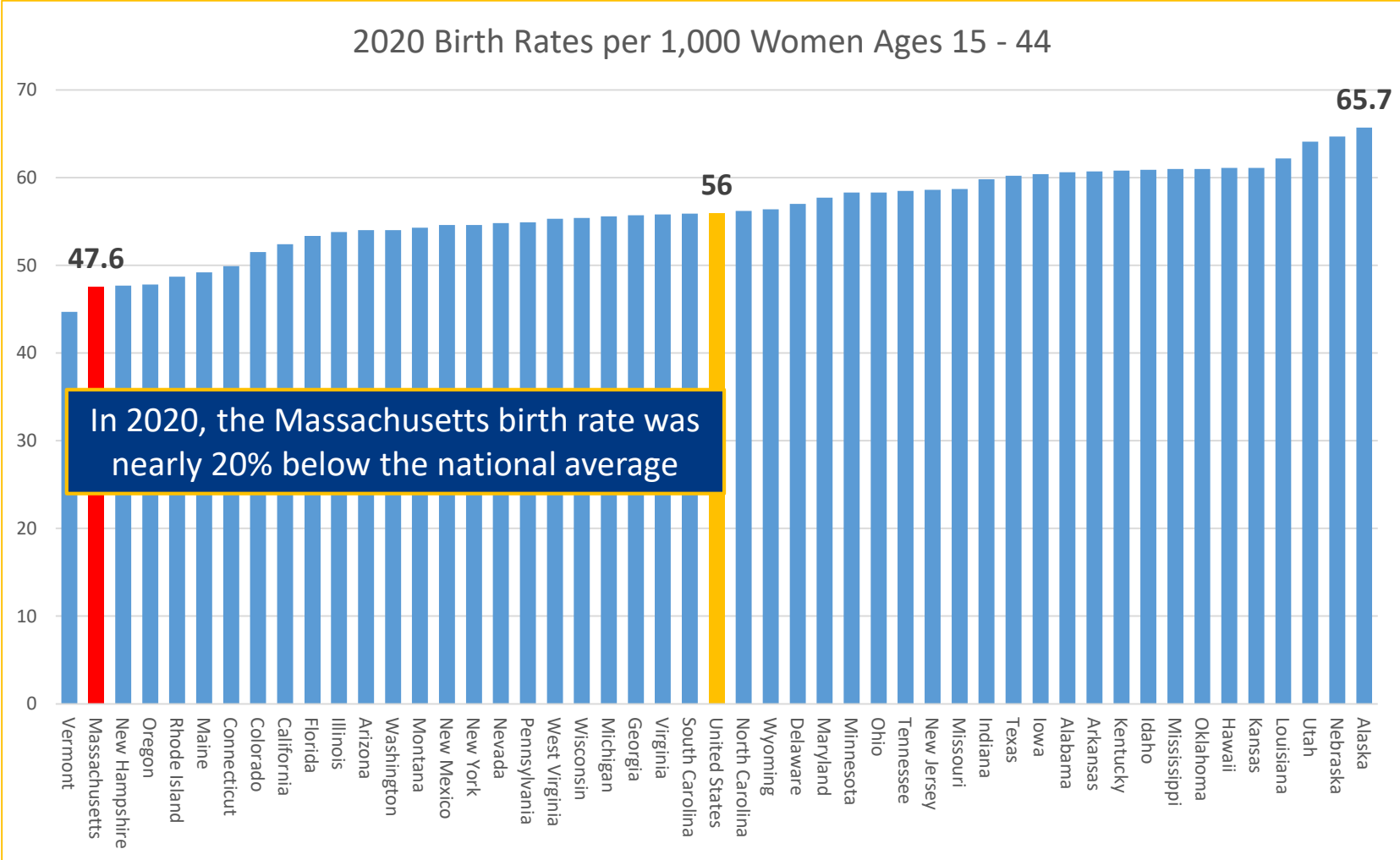
How Does Massachusetts Strengthen Its Workforce In Response To These Demographic Trends?

- Pace of change
 - McKinsey Report concludes Massachusetts needs to retrain ~ 40,000 annually through 2030 or 10 times the current rate
- Out of the labor force
 - Incent those of all ages on the sidelines to reenter the workforce
- Schooling
 - Increase graduation rates
 - Improve career and college readiness
 - Measure progress in closing achievement gaps
- Workforce development
 - Reduce job requirements of a college degree
 - Enhance alternative options to reskill and upskill current workers
 - Provide OJT retraining with skills to advance careers
 - Coordinate with employers to target ever-evolving skills and needs

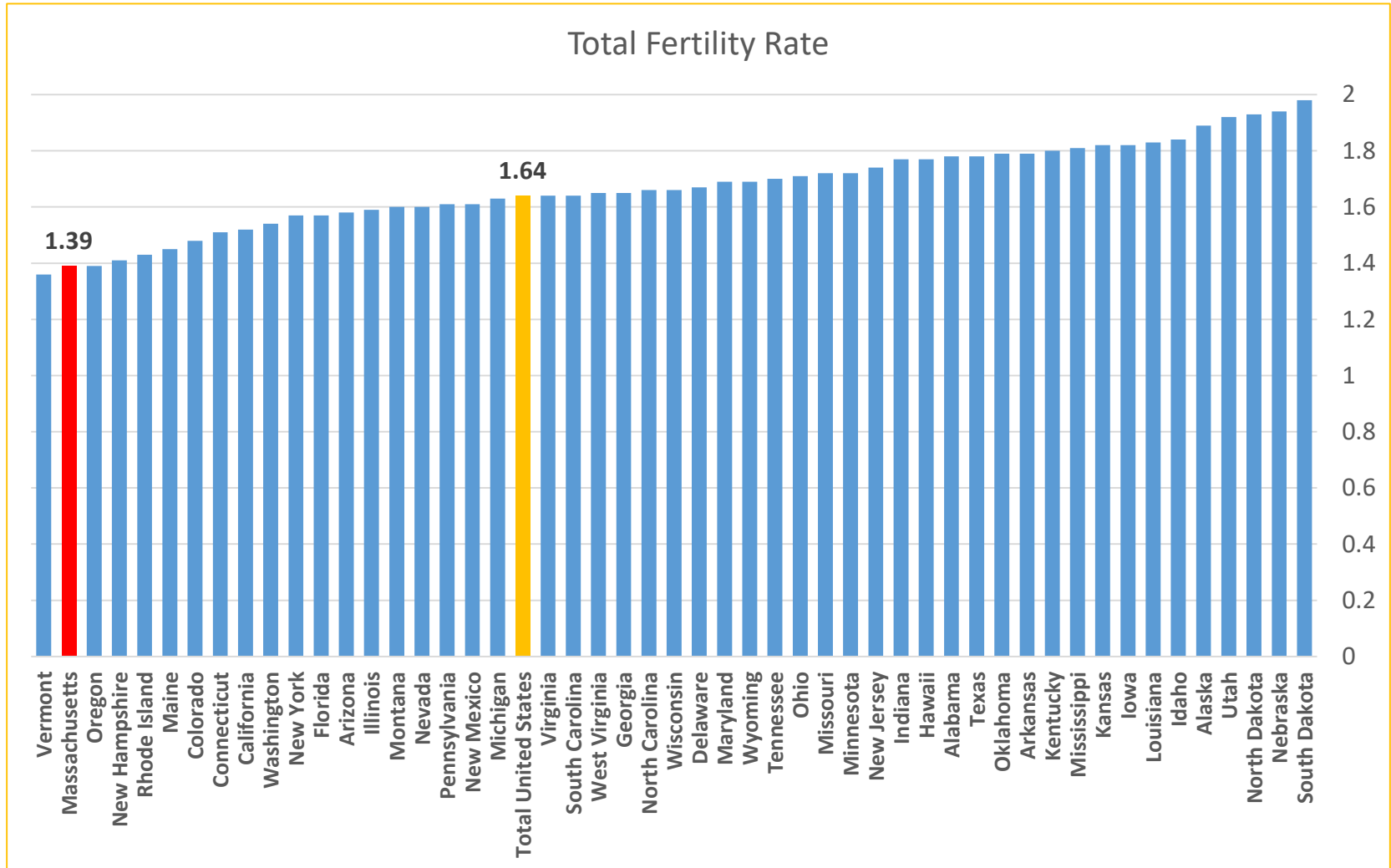
Expanded Demographic Data Section



Massachusetts Has the Second Lowest Birth Rate in the U.S.

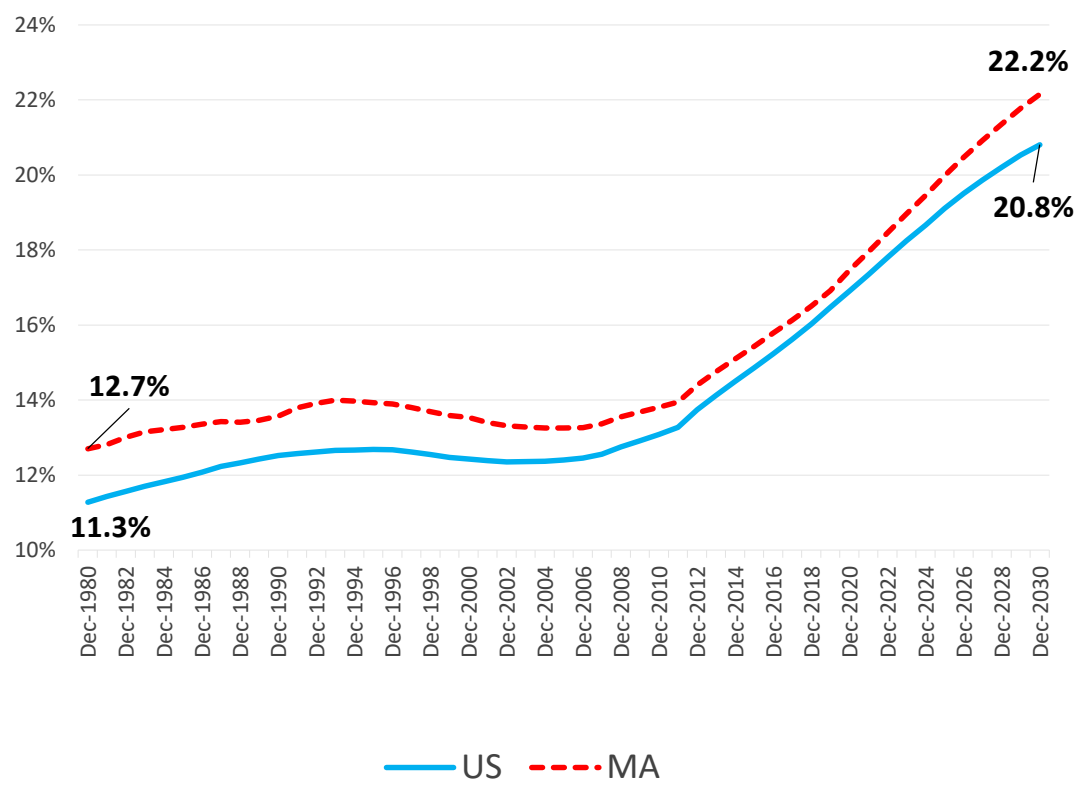


Massachusetts Has the Second Lowest Total Fertility Rate in the U.S., Well Below the 2.1 'Replacement Rate' to Maintain the Population Size.



Massachusetts is Aging Fast; Faster than the U.S.

U.S. and Massachusetts Percent of Population over Age 65

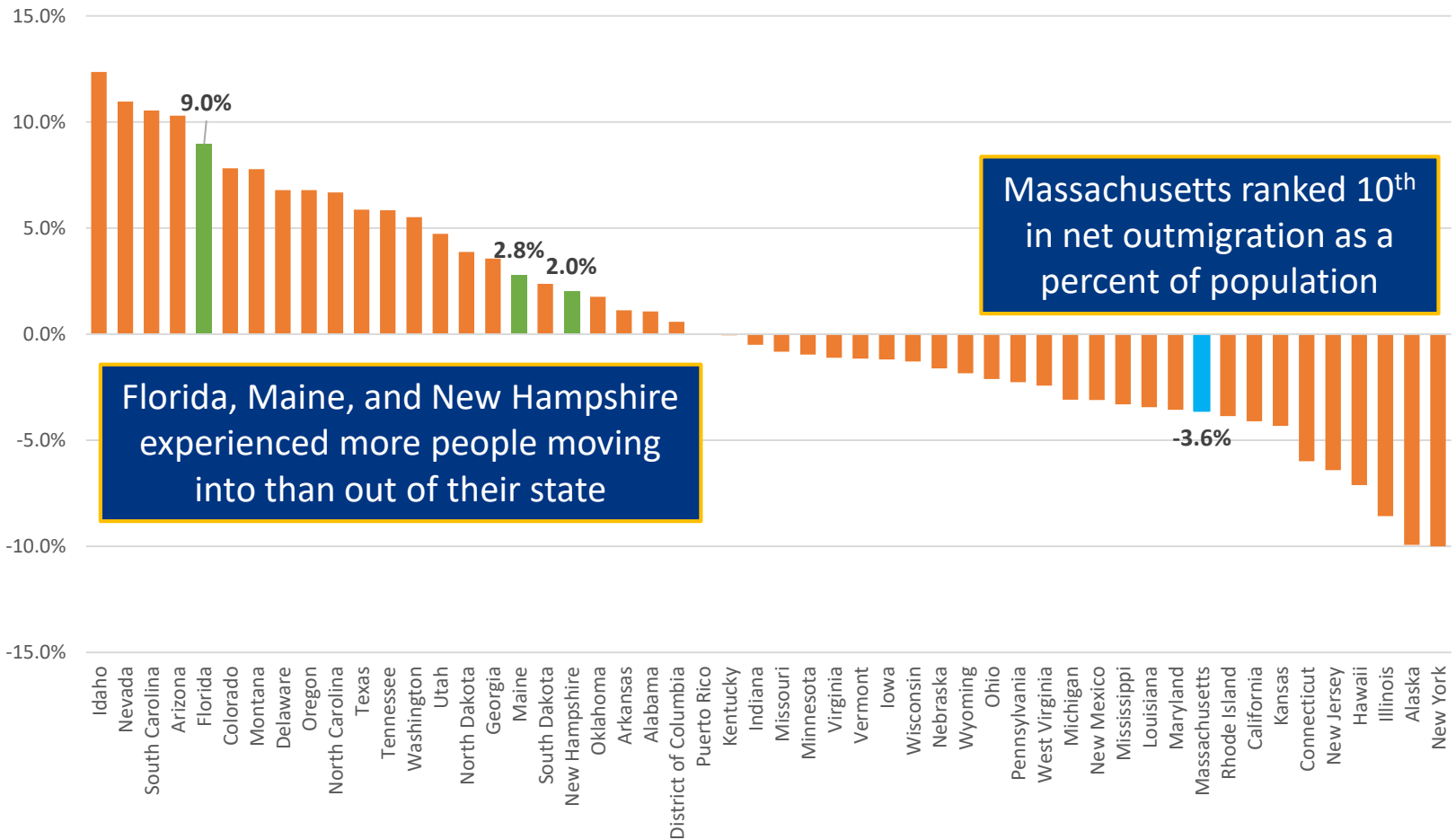


The gap between the percentage of the U.S. and Massachusetts' population aged 65+ widens



Over the past Decade, Massachusetts Lost 3.6% Percent of its Residents as People Moved to Other States

Net Domestic Migration as a % of Population, 2010 - 2021

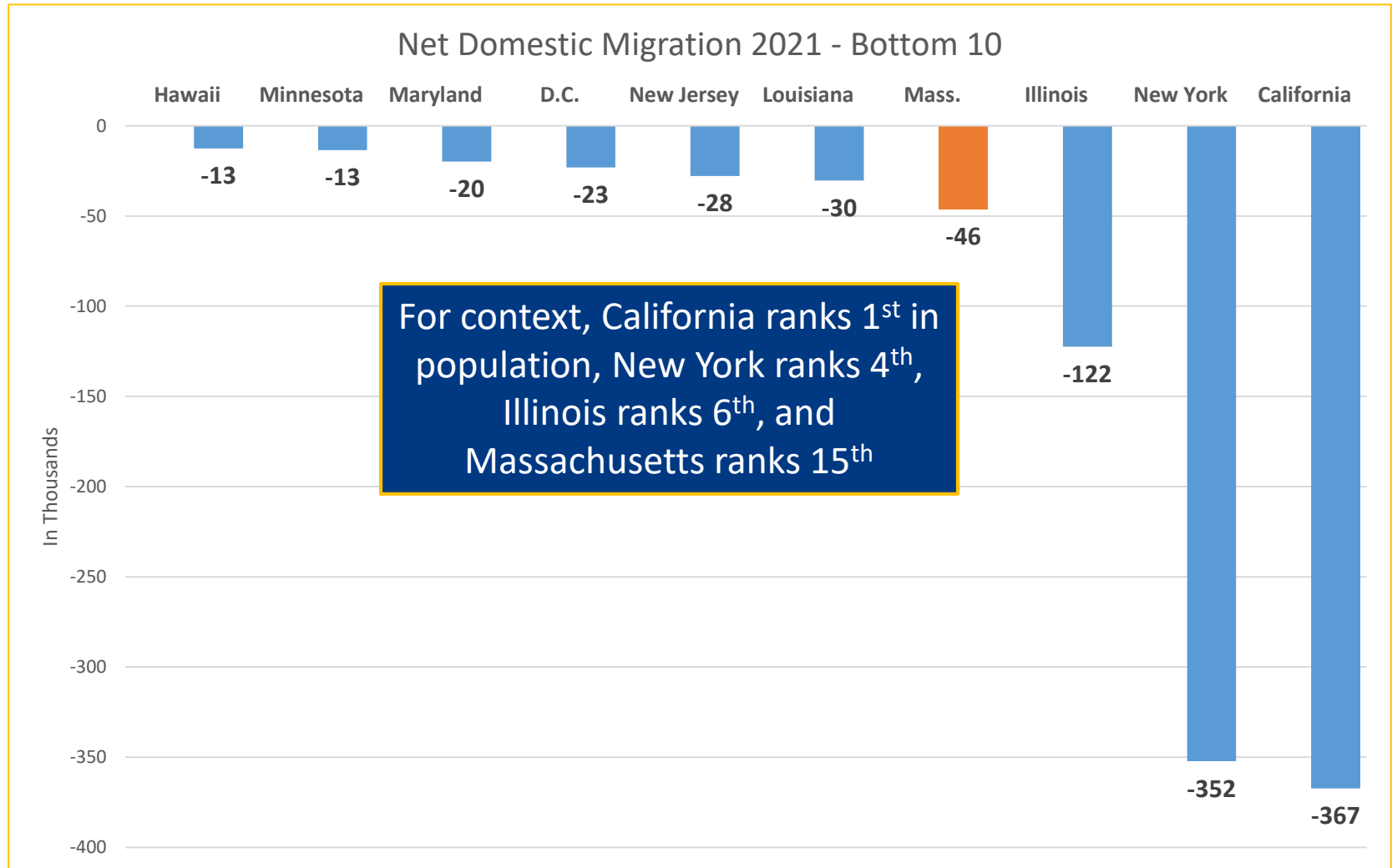


Florida, Maine, and New Hampshire experienced more people moving into than out of their state

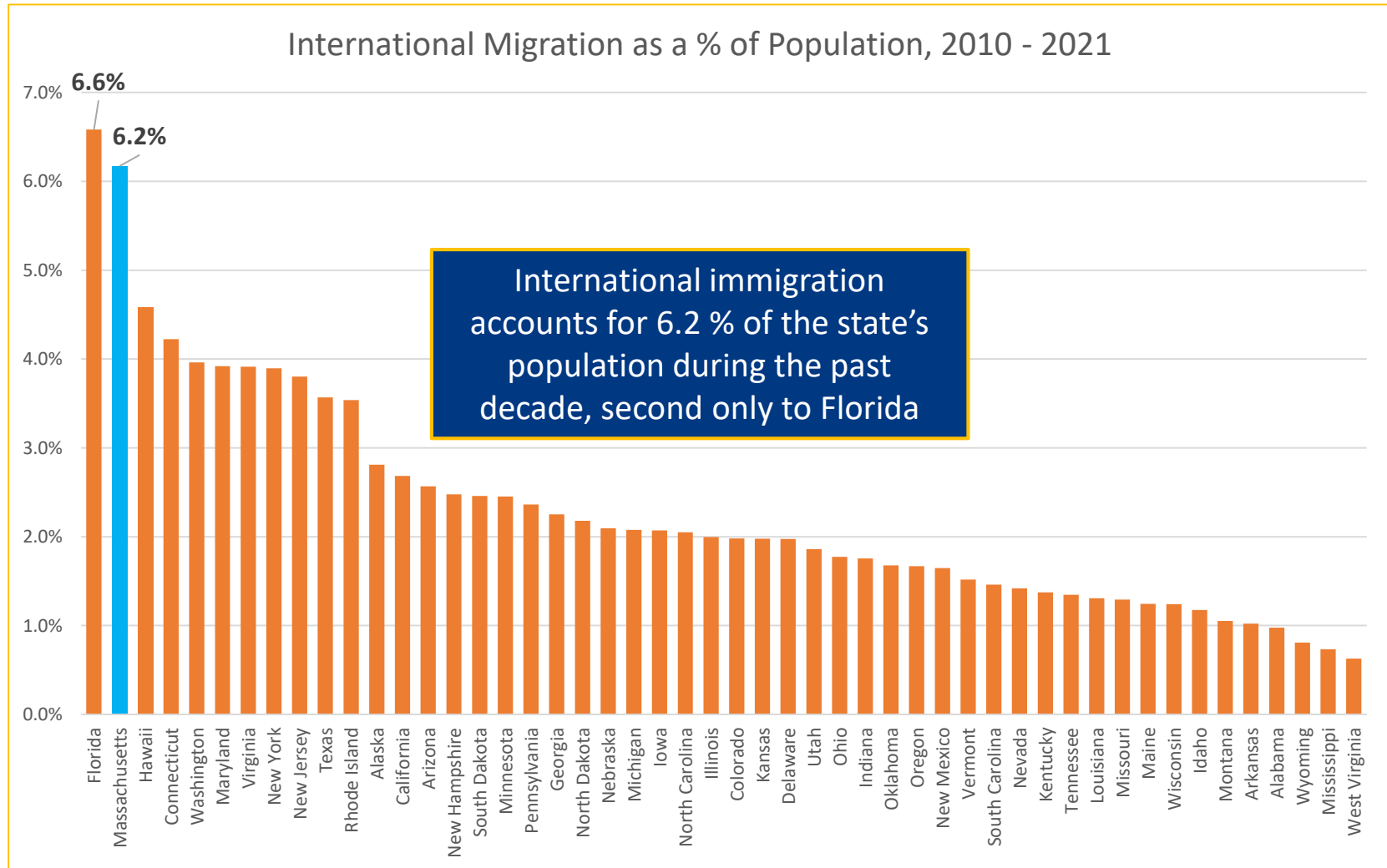
Massachusetts ranked 10th in net outmigration as a percent of population



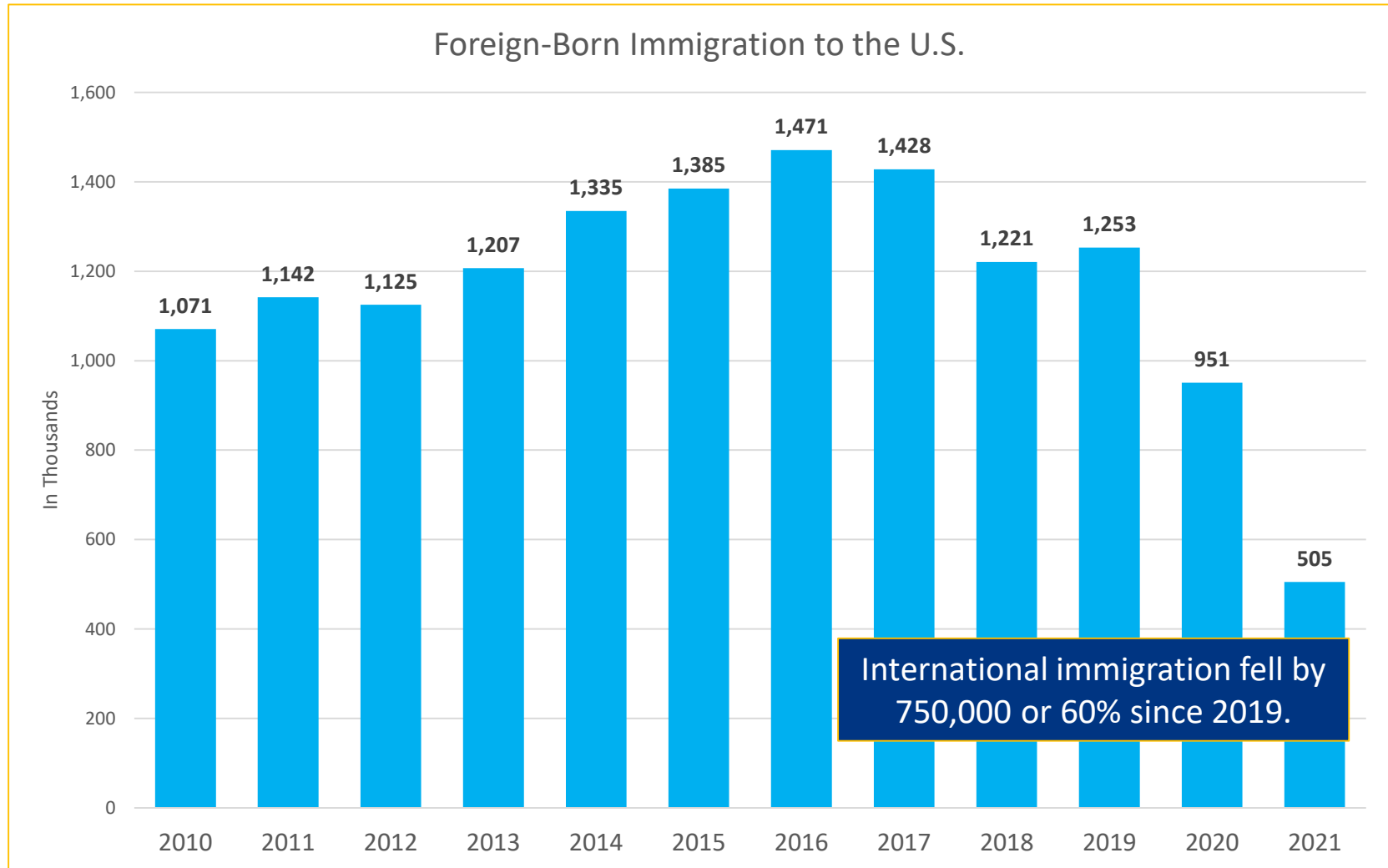
Massachusetts Ranked 4th in Domestic Outmigration During the Pandemic



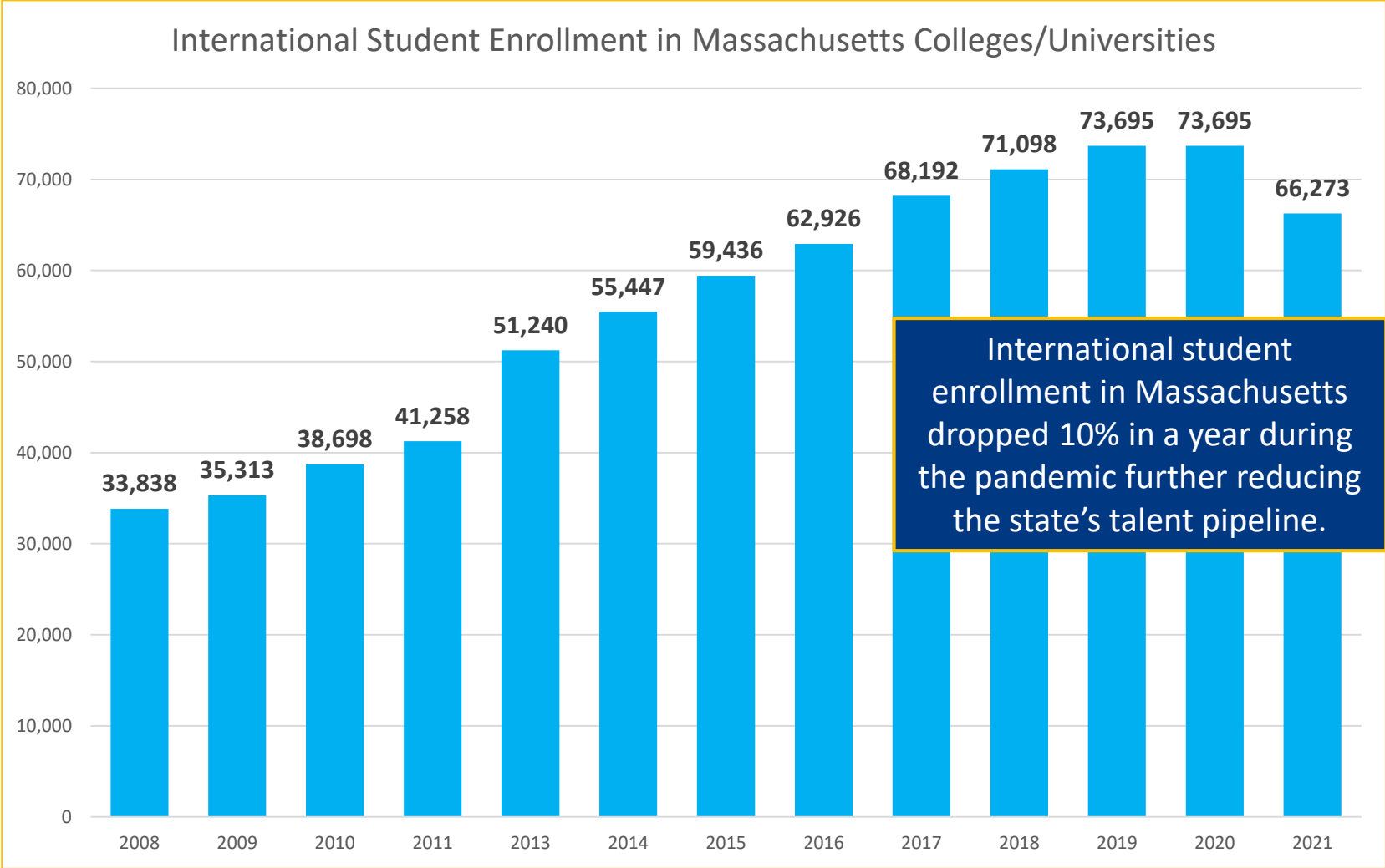
Massachusetts Relies Heavily on International Immigration to Offset Domestic Outmigration



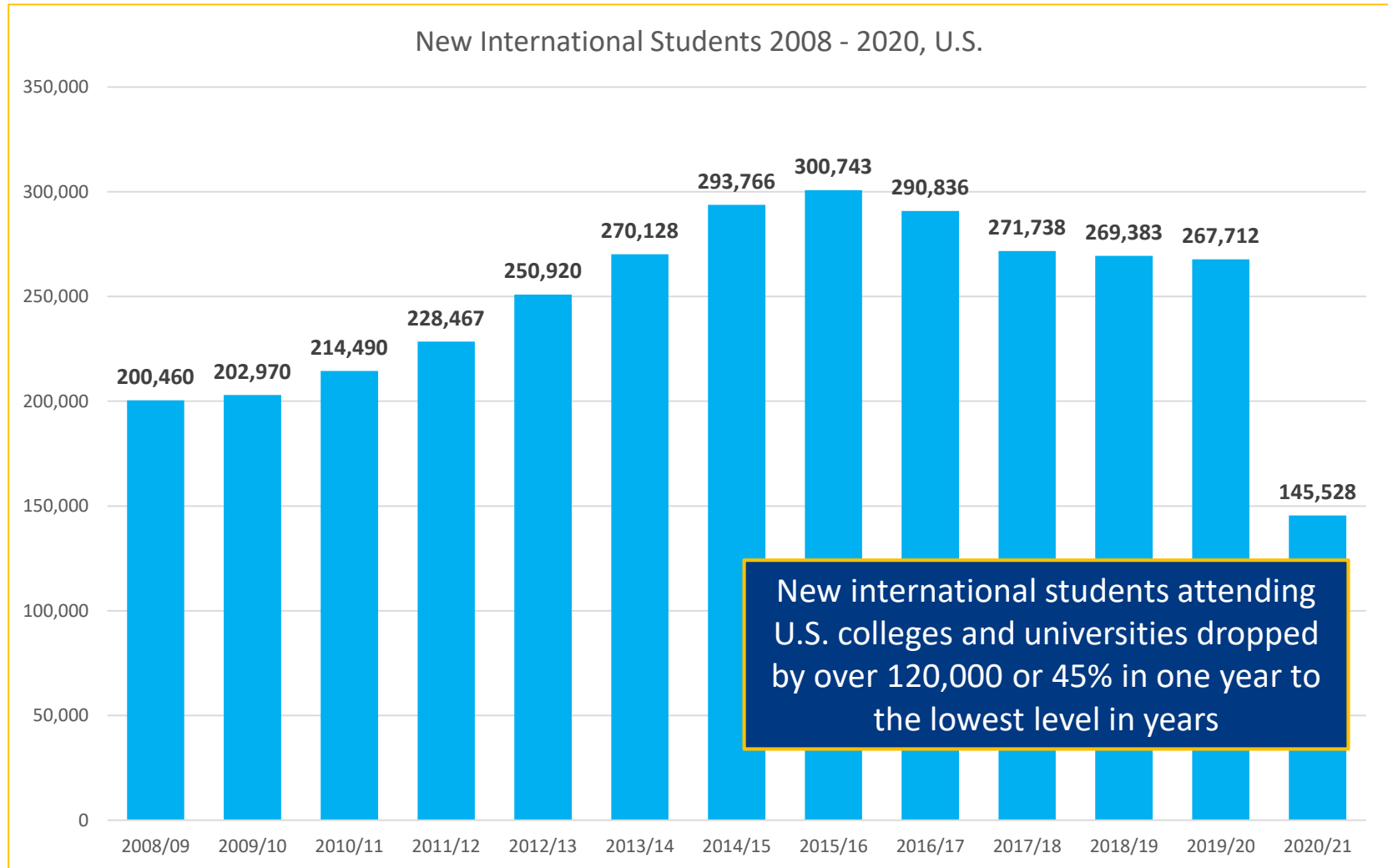
International Immigration to the US Dropped Precipitously in the Past Two Years



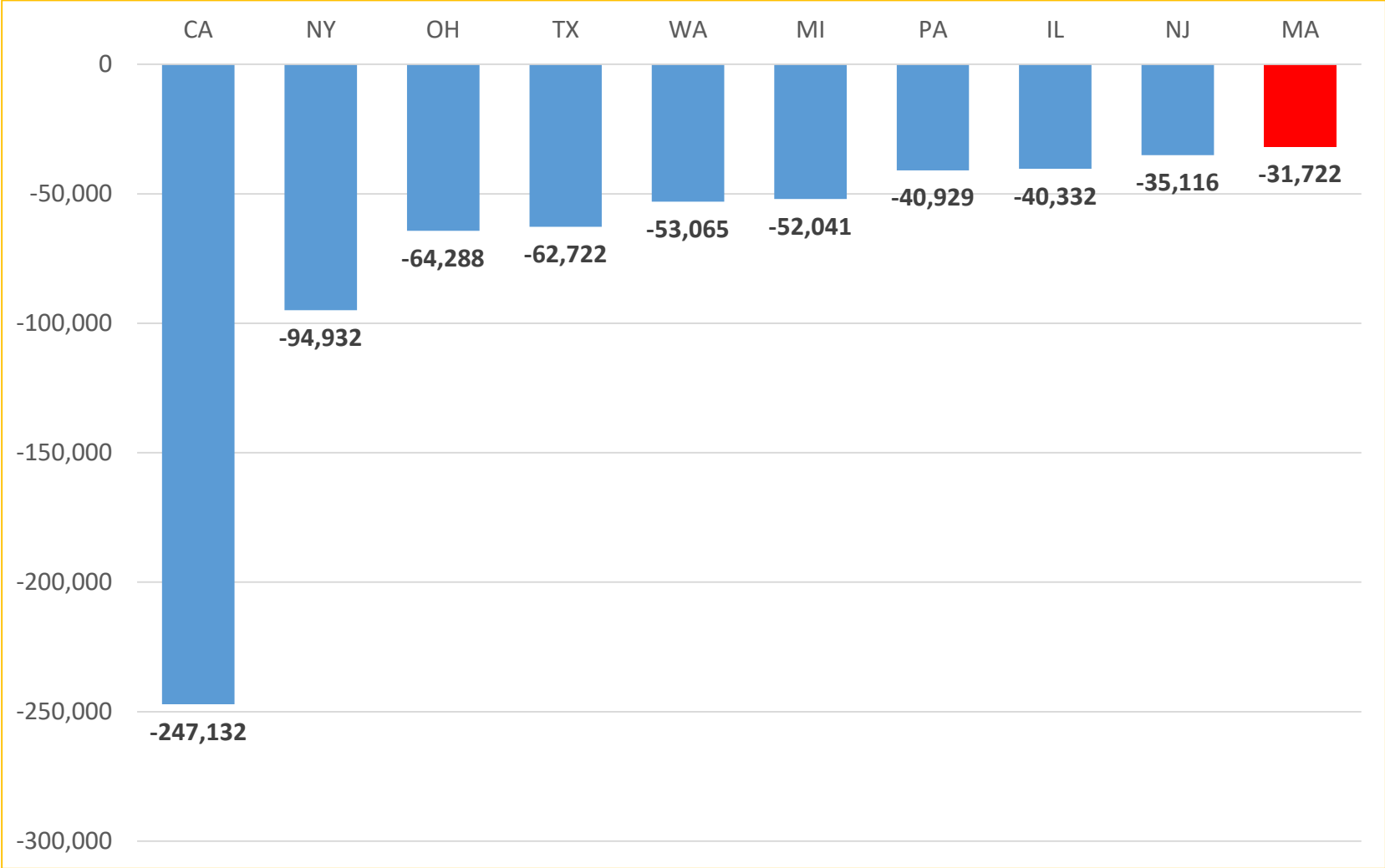
International Student Enrollment in the U.S. Fell in 2021 for the First Time in 12 Years



The Number of New International Students in the U.S. Plummeted, Reducing the Talent Pipeline



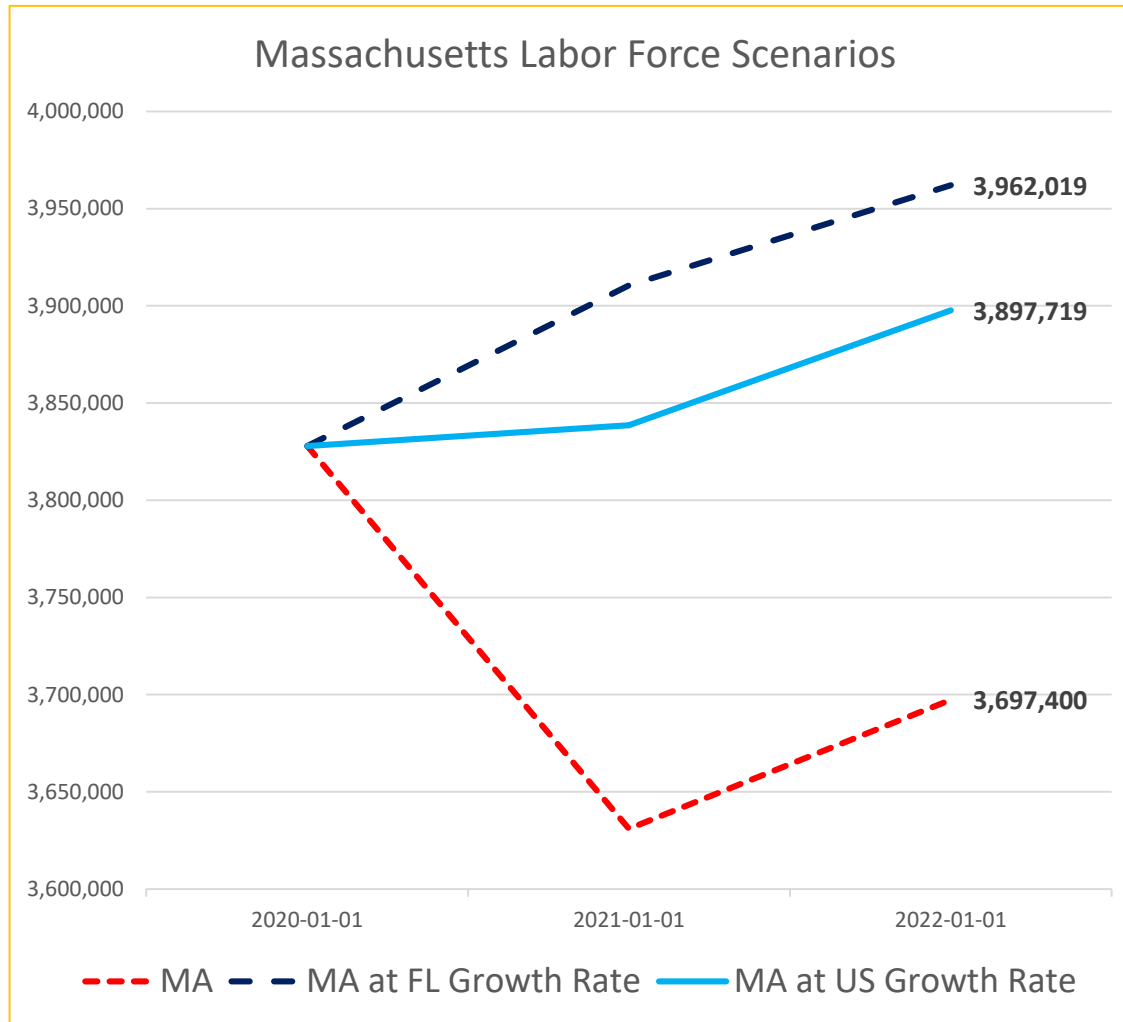
Massachusetts Ranks 10th in College Enrollment Loss Between 2019 to 2021



Massachusetts' Labor Force Participation has not Returned to Pre-pandemic Levels



Massachusetts Labor Force Contracted While Others Expanded



If the Massachusetts labor force increased at the same rate as Florida, the state would have 265,000 more people working or seeking work.

That's roughly the populations of Springfield and Lowell combined.

If the state's labor force increased at the rate of the other 49 states, there would be 200,000 more workers.

Change in Job Openings Nearly Double that of U.S. in 2022

