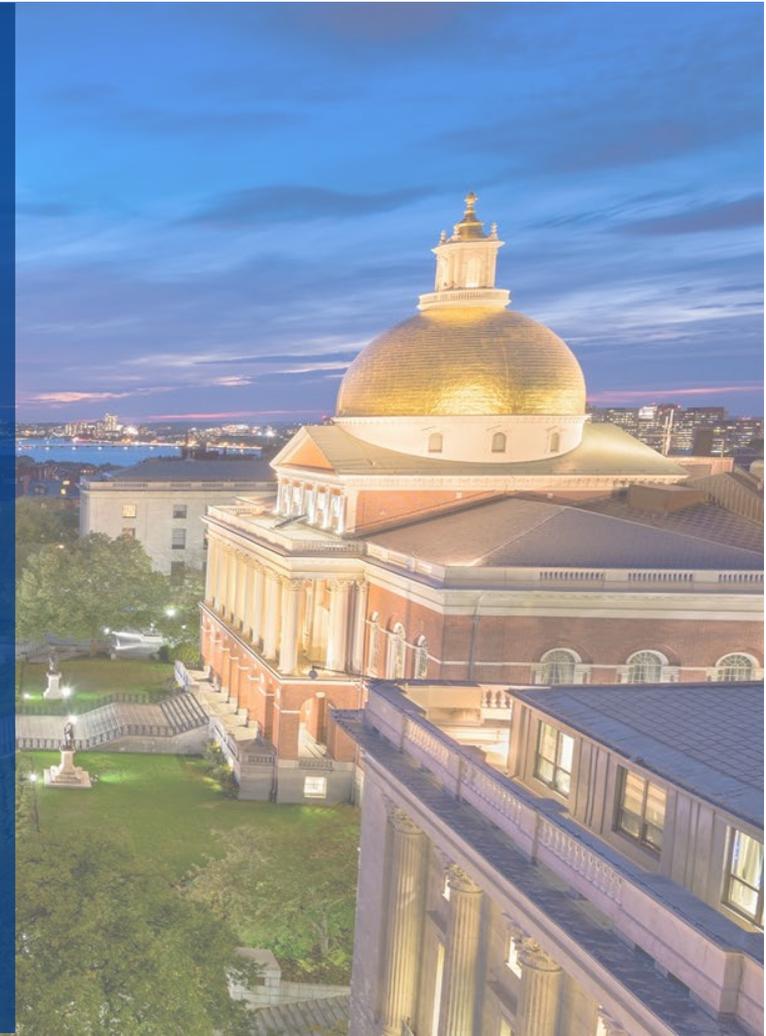




Massachusetts
Taxpayers Foundation

MTF Presentation for the EEC Board Meeting January 10, 2023

*Ashley White, Senior Policy
Researcher*



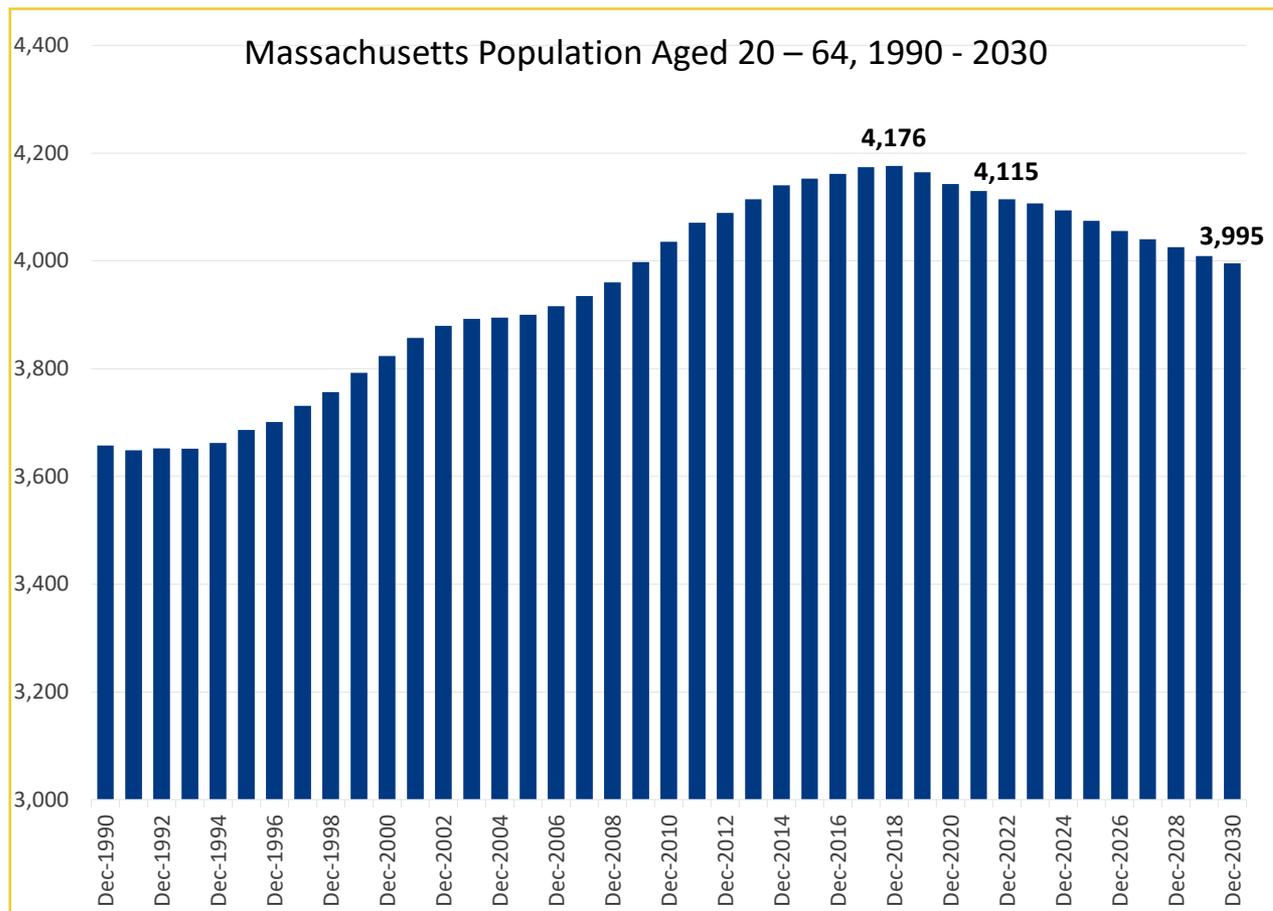
A nighttime photograph of the Boston skyline, featuring several prominent skyscrapers with glowing windows. The city lights are reflected in the water of the harbor. A bridge is visible on the left side of the image. The sky is a deep blue with some light clouds.

Workforce and Population Trends in Massachusetts

Massachusetts Demographic Trends are Troubling

- 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.

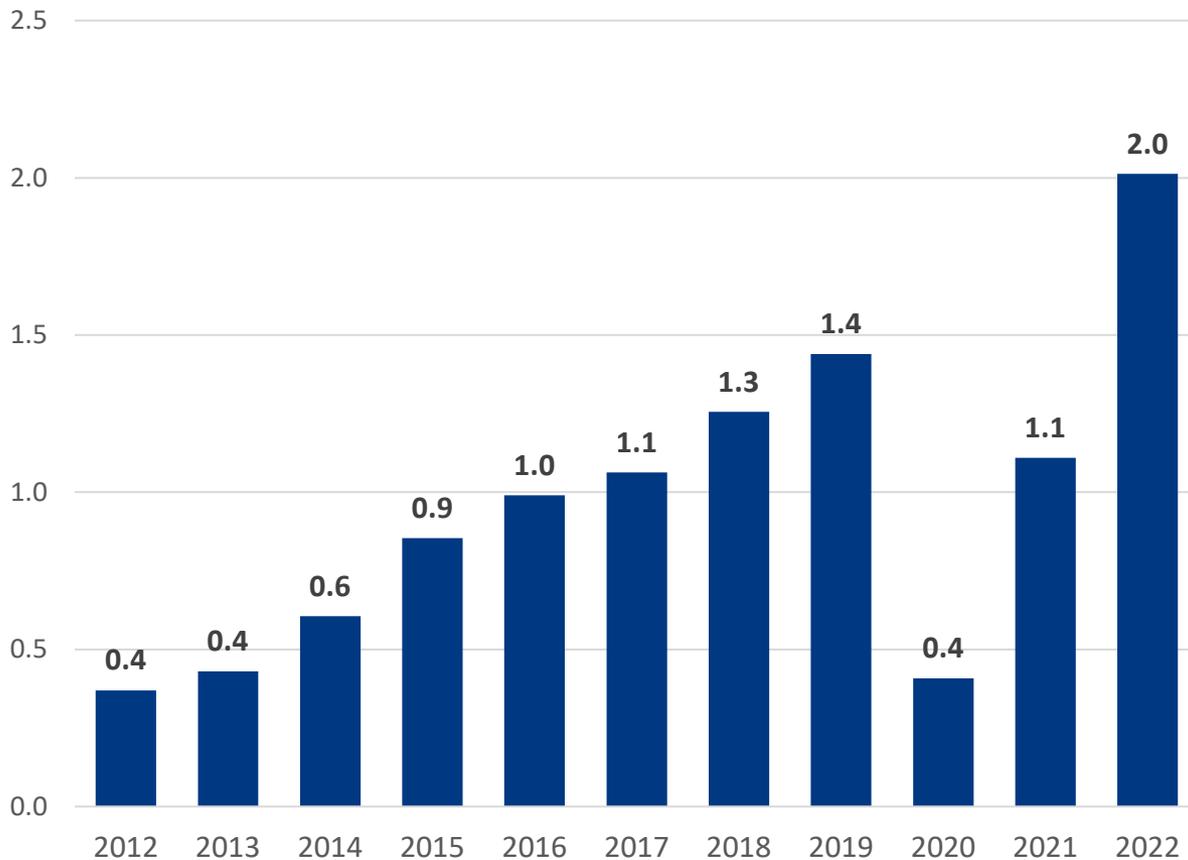
The Net Result: the Massachusetts' Workforce Peaked in 2018, the Steady Decline Constrains Future Growth



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

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

Massachusetts Job Openings per Unemployed People



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 is slowing

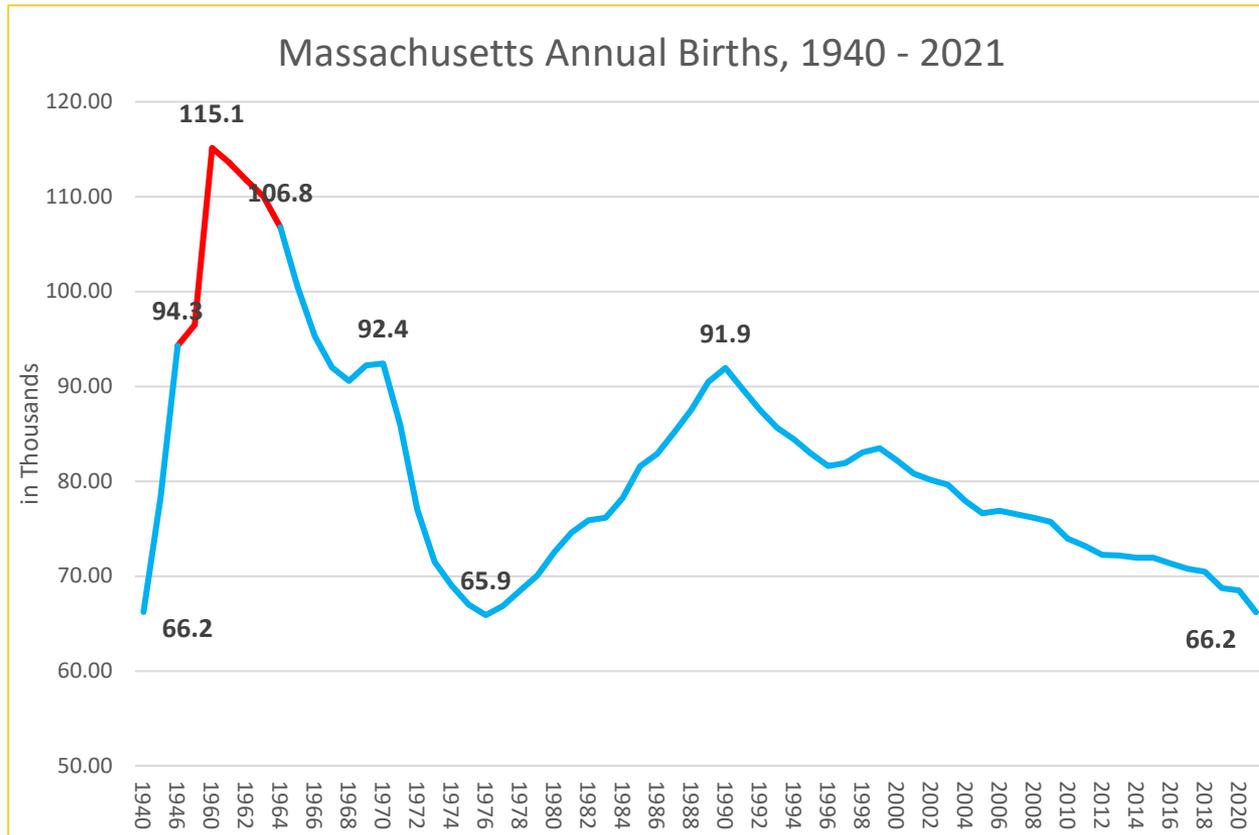
- Births continue to fall
- Deaths due to an aging population increase

Migration trends turn negative

- Domestic outmigration spikes
- International immigration plummets

COVID has only accelerated these trends

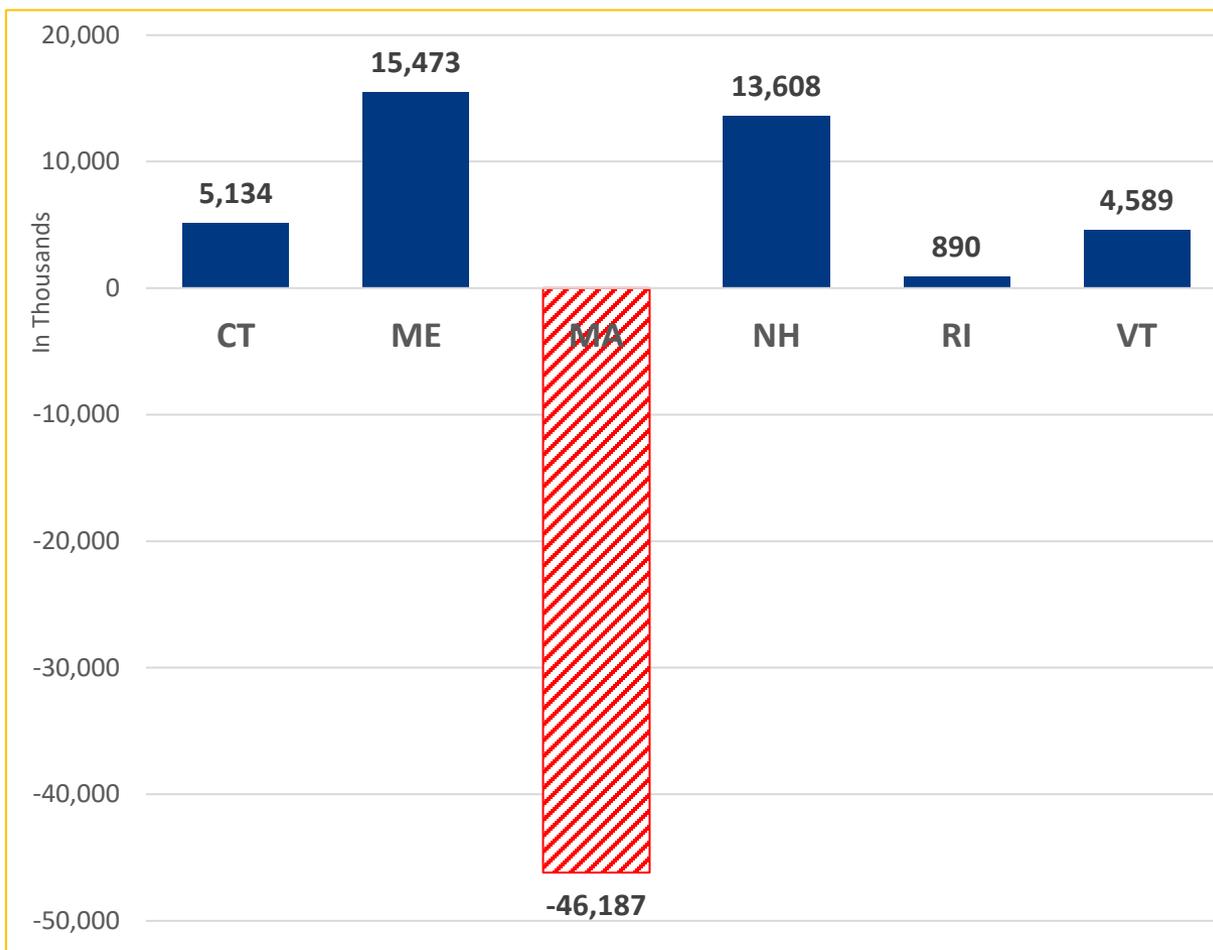
Births Plummet – Now at Their Second Lowest Number Since 1940 (red line denotes baby boomers)



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.

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

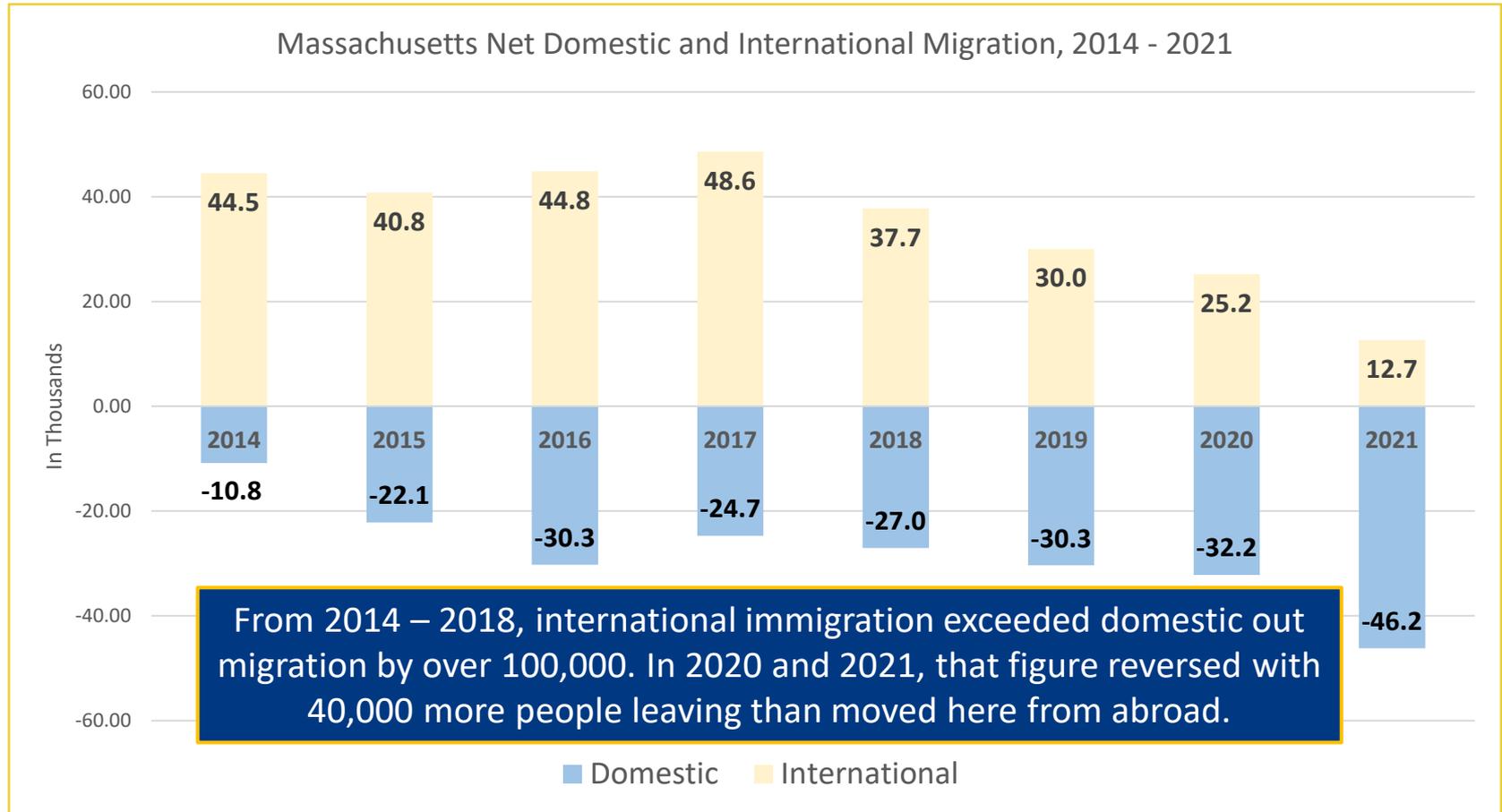


Massachusetts lost 46,000 residents in 2021, the 4th most in the country.

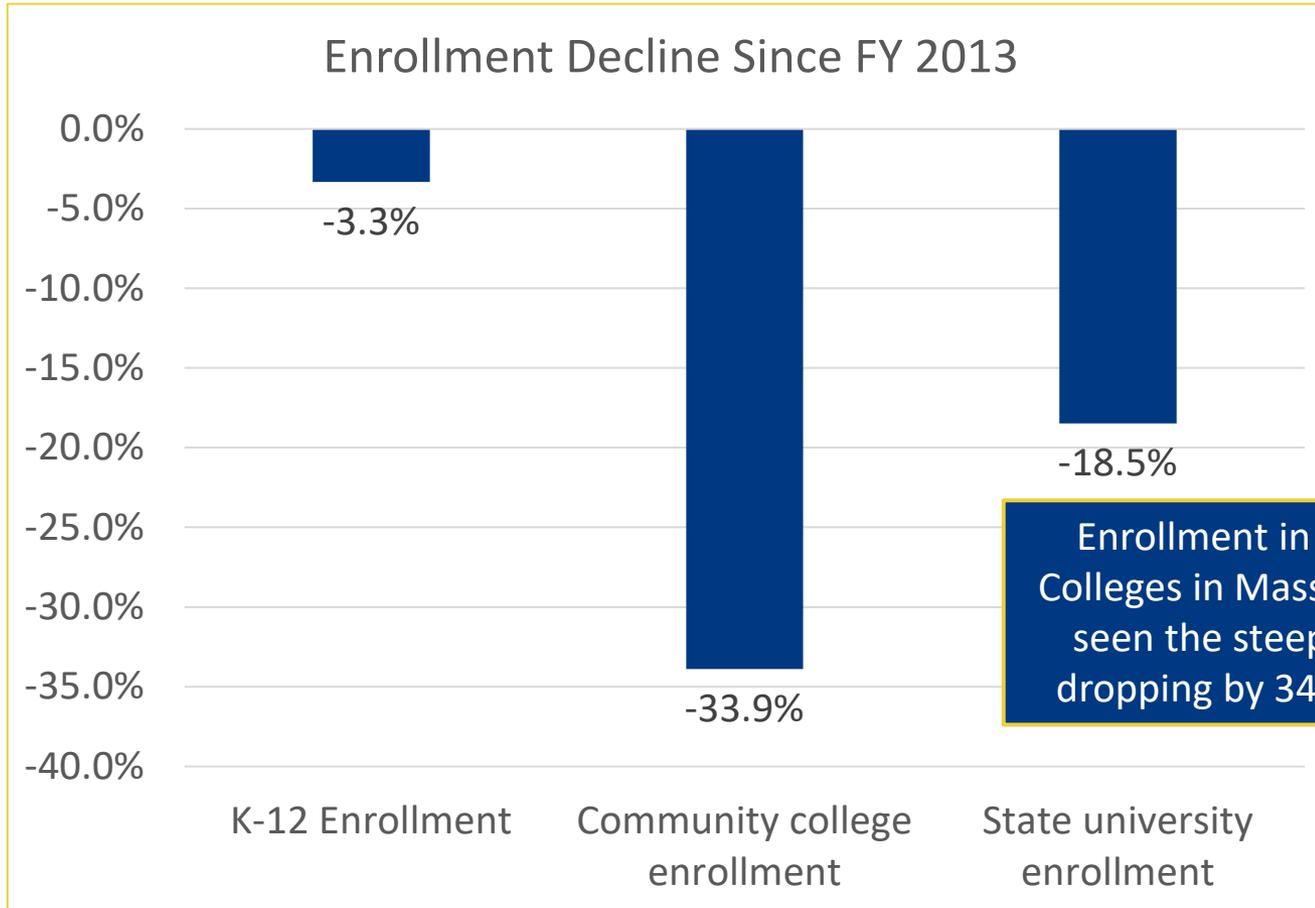
The other New England states gained 40,000.

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

International Immigration No Longer Offsets Domestic Outmigration



Student Enrollment in Public K-12 and Higher Education Institutions in Massachusetts Has Declined

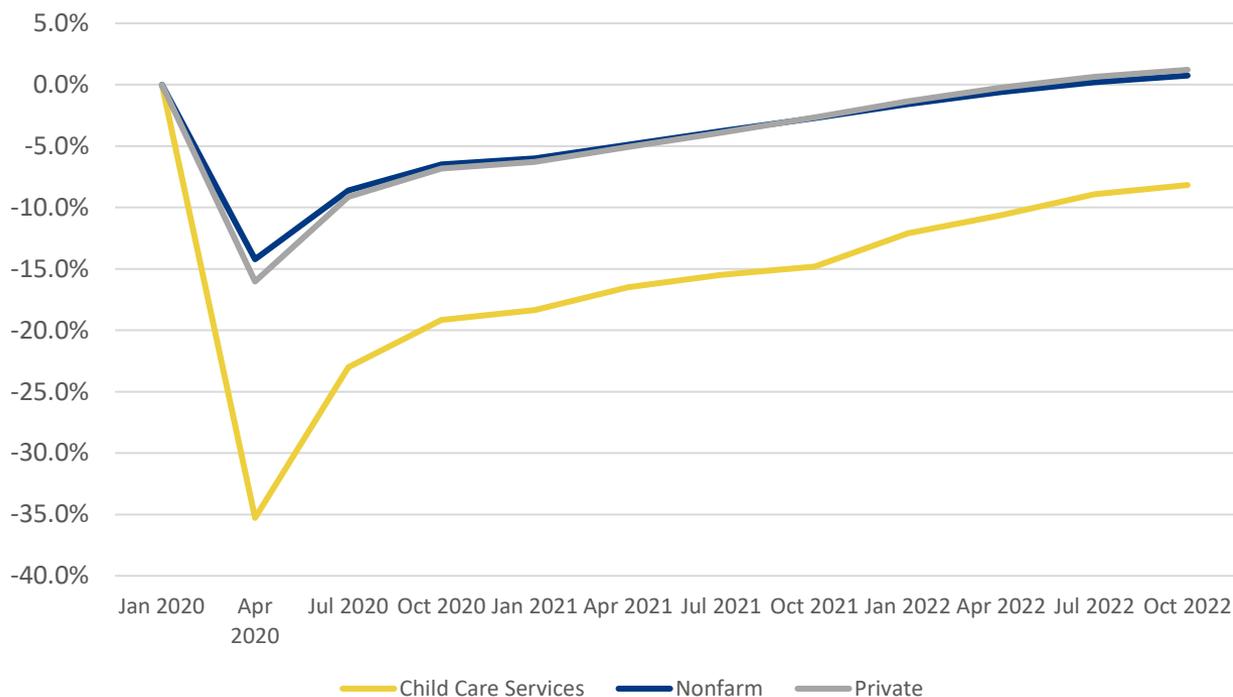


A photograph of a city skyline at dusk, with numerous skyscrapers and buildings illuminated by warm lights. The sky is a deep blue with wispy clouds. In the foreground, a body of water reflects the city lights. A dark blue rectangular overlay is positioned in the lower half of the image, containing the text "Child Care and the Economy" in a bold, yellow, sans-serif font.

Child Care and the Economy

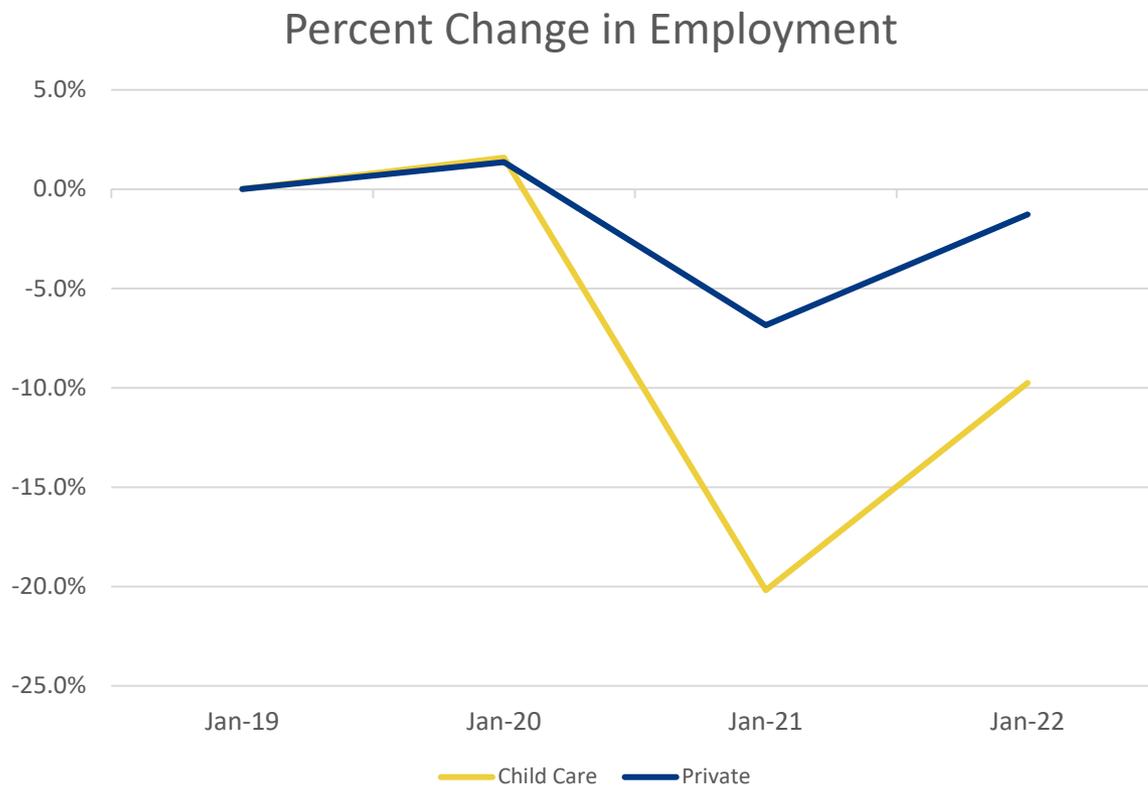
Nationally, the Child Care Workforce Has Not Recovered as Fast as Other Sectors

Percent Change in Employment



The child care workforce has lost 94,000 jobs since the pandemic. Employment in the child care sector has not recovered to pre-pandemic levels.

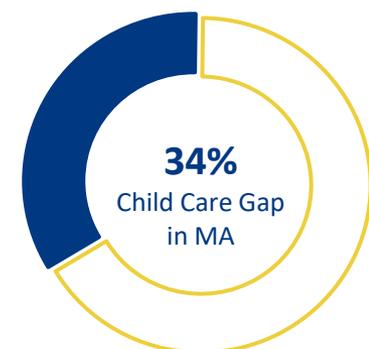
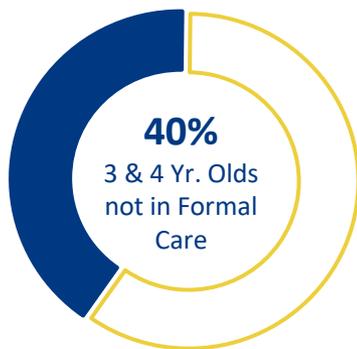
In Massachusetts, a Similar Trend Has Emerged



Massachusetts has lost almost 3,000 child care workers since the pandemic. Similar to national trends, employment in the child care sector has not recovered to pre-pandemic levels.

Inadequate Child Care in MA Undermines Our Economic Potential

- Child Care can be a solution for our workforce needs but:
 - Our subsidy system is limited and only serves roughly 50,000 low-income children a month, on average.
 - High costs in the private system make it difficult for many parents to obtain affordable and accessible child care.
 - Limited supply prevents parents from accessing care in both the subsidy and private markets.



How Did We Estimate Economic Impact in Massachusetts?

Previous research to provides us with a framework for our estimate:

1. Use survey to collect data on the scope of the problem
2. Estimate the population
3. Apply the survey responses to the population estimates
4. Apply wage and tax data to that impacted population to get a dollar figure

Our Estimate is Based on Survey Data Collected Across 9 States by the U.S. Chamber of Commerce

	ReadyNation	U.S. Chamber of Commerce	University of Nebraska
Result:	\$57 Billion <i>\$172 Per Capita</i>	\$19 Billion <i>\$261 Per Capita</i>	\$1.4 Billion <i>\$713 Per Capita</i>
Scope:	National	9 States	Nebraska
Key Differences:	Families with children < 3	Focused on employers only	Did not create their own parent survey

We Know That Insufficient Child Care Impacts the Economy, but by How Much?

Our estimate: insufficient child care costs Massachusetts \$2.7 billion each year, impacting families, businesses, and tax revenues.

Costs to Families	\$1.7 billion	in lost wages due to missing work or reducing work hours
Costs to Businesses	\$812 million	in replacement/turnover costs for parents who miss work or leave the workforce altogether
Foregone Tax Revenue	\$188 million	in foregone income and sales tax revenue due to lower earnings

Deeper Dive on Family Impacts

Total Costs to Families

\$1.7 Billion

Lost Wages (Missed Work)

\$457 Million

Lost Wages (Full-time to Part-time)

\$1.2 Billion

Lost Workers

Unknown



Deeper Dive on Business Impacts

Total Costs to Businesses

\$812 million

Turnover Costs

\$562 Million

Replacement Costs

\$228 Million

Lost Productivity

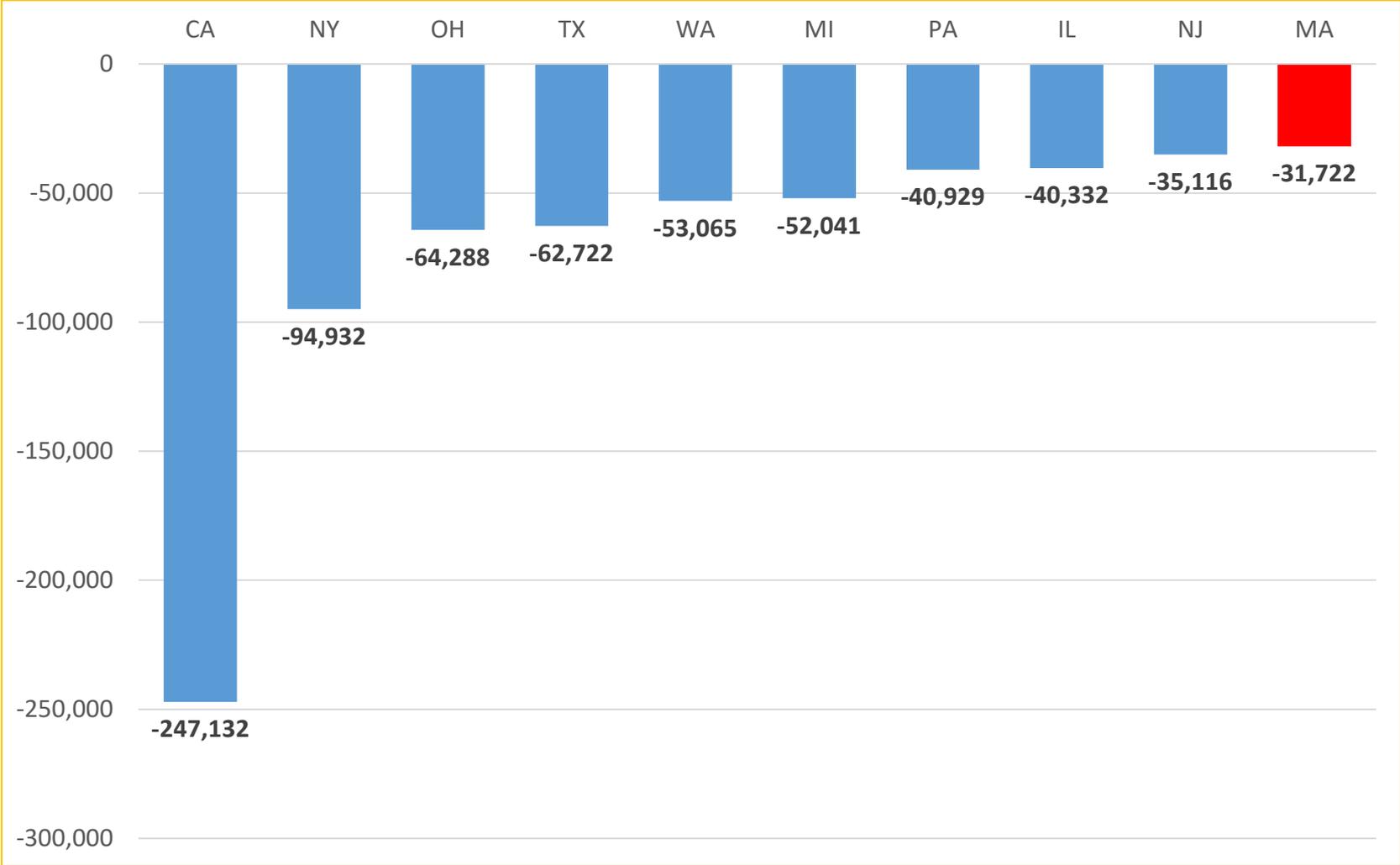
\$21 Million





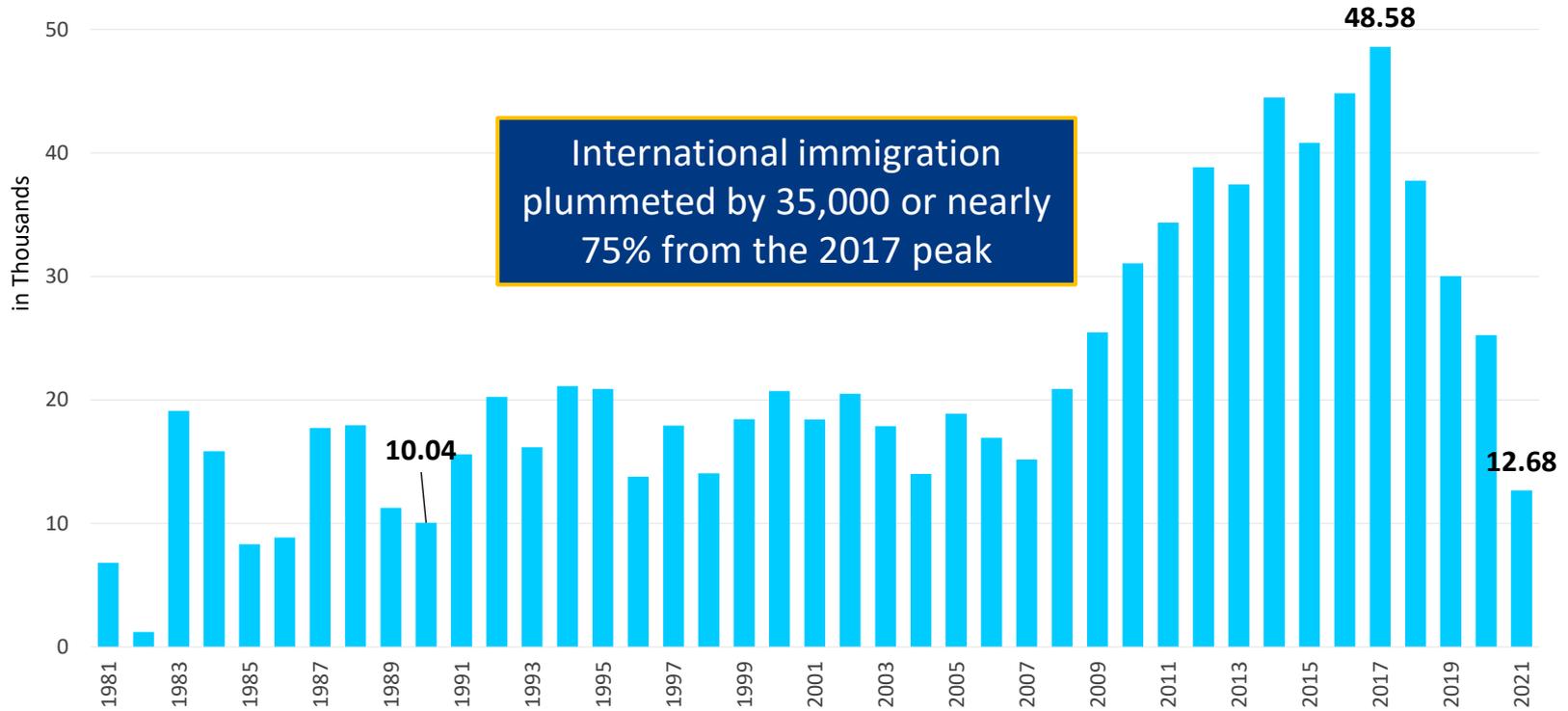
Appendix

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

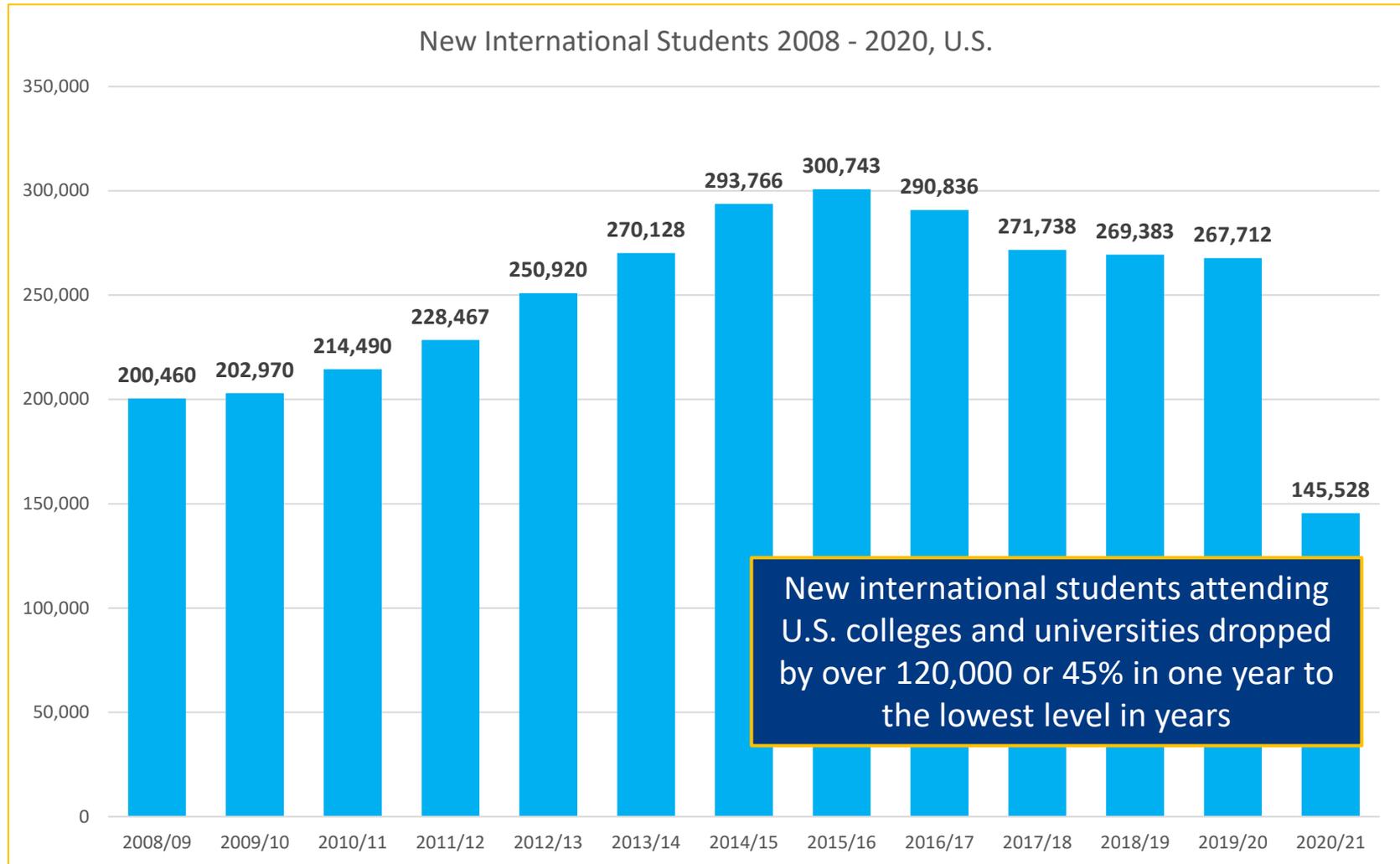


International Immigration Plateaued for 25 Years, Climbed Over the Next 10, then Plunged to Lowest Point Since 1990

Massachusetts Net International Migration, 1981 - 2021



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

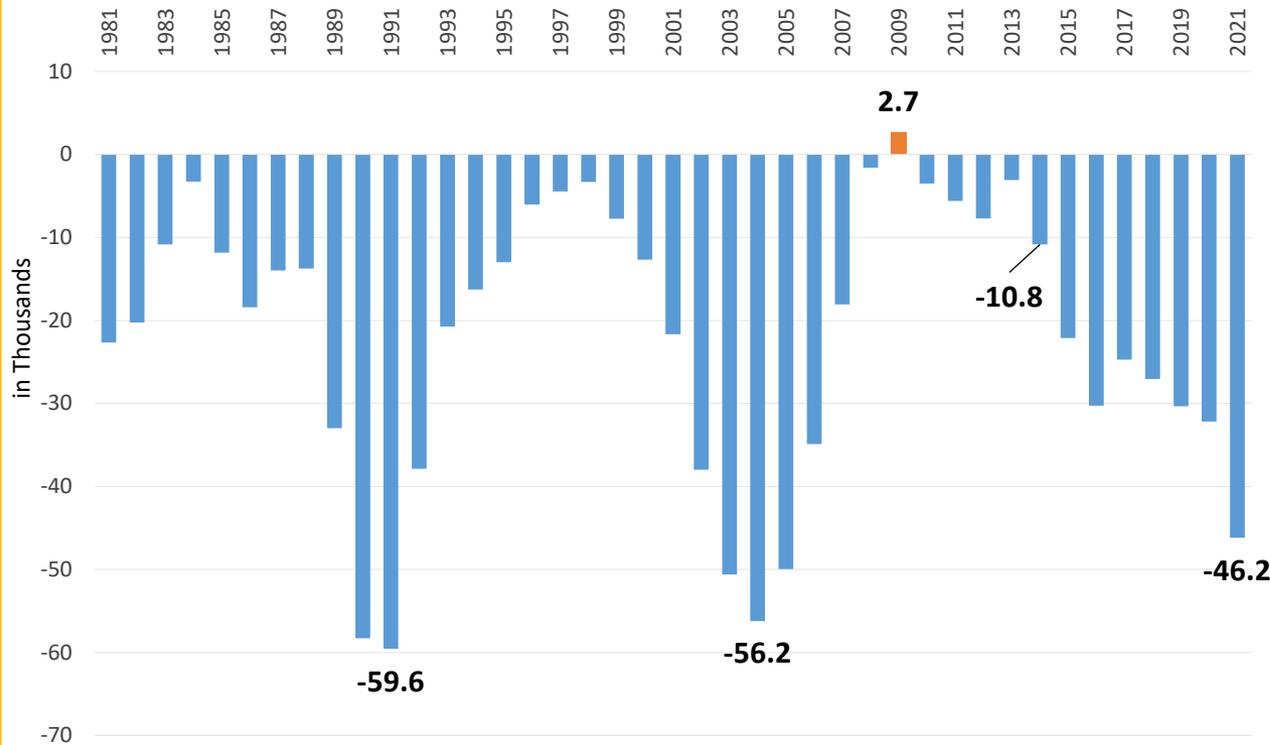


How Does Massachusetts Strengthen Its Workforce In Response To These Demographic Trends?

- 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

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

MA Net Domestic Migration, 1981 - 2021



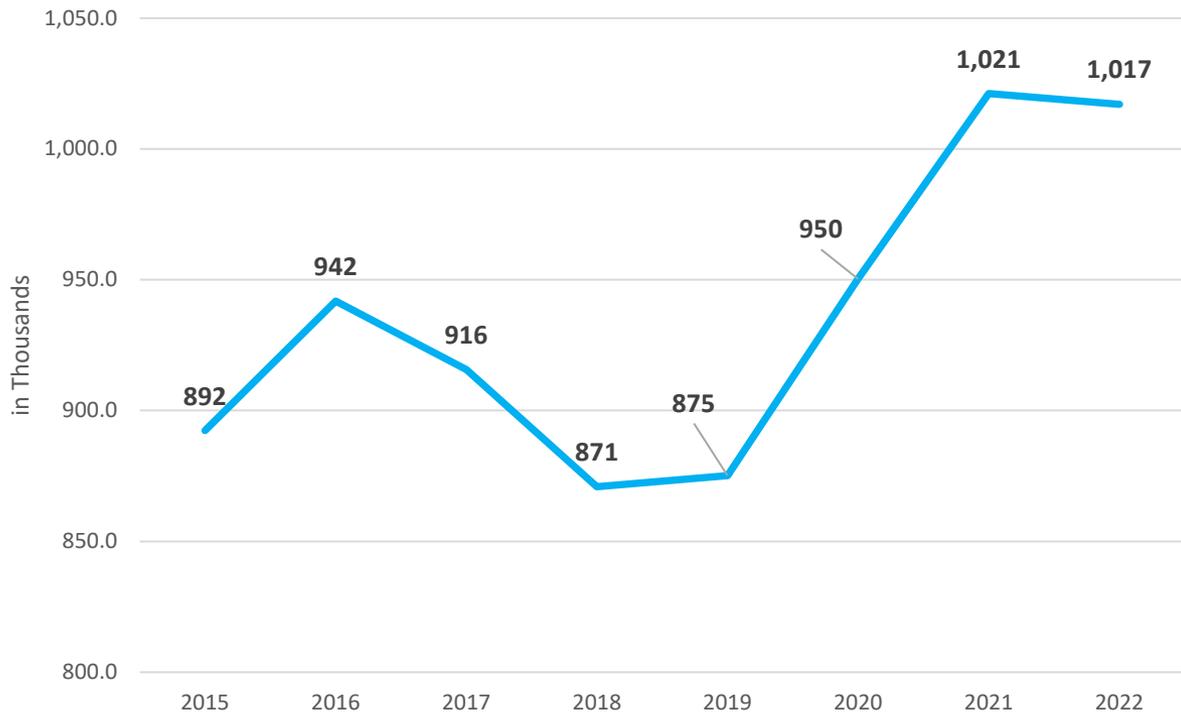
Massachusetts lost 900,000 people to other states since 1981 or 250,000 more than the current population of Boston.

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.

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

Average Number of People Out of Workforce - Retirement



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