

How Our Population Grows

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Indiana will add roughly 940,000 residents by 2040—a 15 percent increase from 2005, according to the state’s official population projections produced by the Indiana Business Research Center.¹ Indiana’s population will surpass 7 million by 2030 and should reach 7.2 million in 2040.

Sixty-five of Indiana’s ninety-two counties will increase in population, but the ten-county Indianapolis metro area will account for 54 percent of Indiana’s growth between 2005 and 2040 (see **Figure 1**). In fact, five Indianapolis suburban counties can expect to grow by more than 30 percent, led by Hamilton County with an astounding projected increase of 85 percent. Northeast Indiana is another region which can expect to see significant growth. LaGrange, Elkhart, Adams, and Allen counties are each projected to increase by more than 20 percent. Meanwhile, twenty-seven counties are likely to have fewer residents by 2040.

By 2040, one in five Hoosiers will be of traditional retirement age, an increase of 90 percent. Meanwhile, the number of people in the 25-to-54 age group—an important labor force demographic—will decline. The following sections will look closer at how key age groups are changing.

At this juncture, it is important to keep in mind that these projections rely exclusively on recent birth, death, and migration trends. Therefore, they reflect what Indiana and its communities will look like if past conditions persist, and no assumptions have been made about future economic or environmental conditions. In addition, since population dynamics (particularly migration) can be difficult to predict, long-range projections can be subject to significant error; therefore, it is often useful to pay greater attention

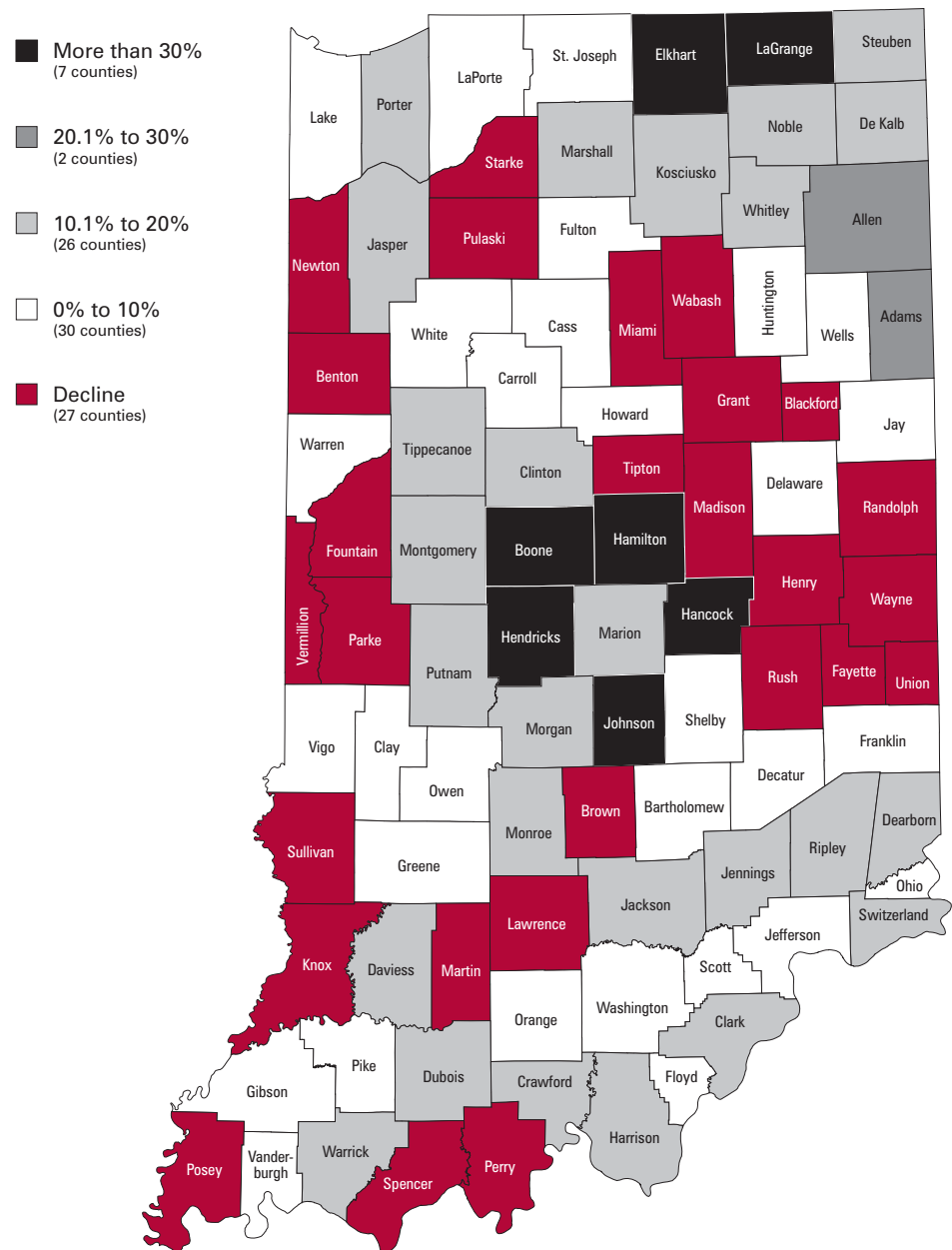
to trends during the next fifteen to twenty years.

Indiana’s Aging Population

The primary force behind Indiana’s changing population dynamics is the inevitable aging of the baby

boom generation. At present, this group is between the ages of forty-four and sixty-one and, by 2030, this entire cohort will be of traditional retirement age. This fact promises to transform the state.

FIGURE 1: Projected Percent Change in Population, 2005 to 2040



Source: Indiana Business Research Center

Figure 2 illustrates the share of total population by age group over the next thirty-five years. The share of population age 65 and older will increase from roughly 12 percent of the total to nearly 21 percent. During this period, the sixty-five and older population will surpass the 0–14 and 15–24 age groups on its way from the smallest to the third largest of these segments. Each of the other age groups will see its share of total population decline by 2040.

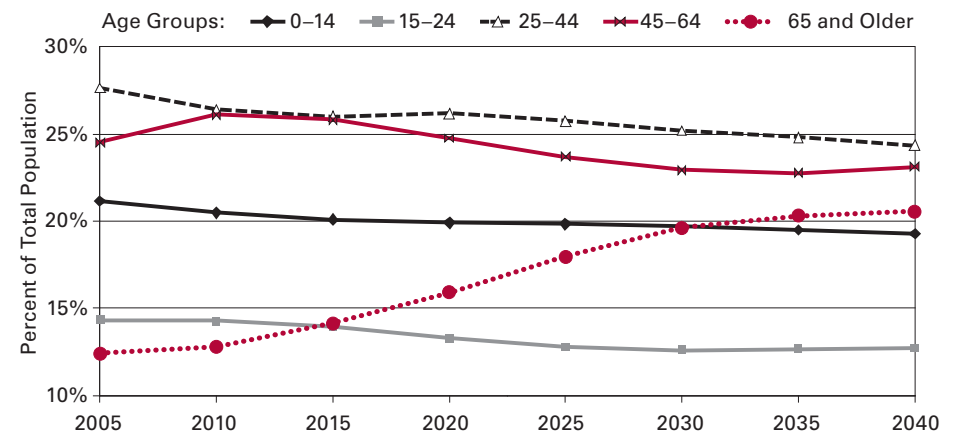
An aging population is not unique to Indiana, of course, but is a national trend. In fact, when compared to the rest of the nation, Indiana is relatively young with a 2006 median age of 36.3, which ranks in the youngest third of all states according to the U.S. Census Bureau. The state’s median age is expected to increase to 39.8 years by 2040.

There is a wide disparity in aging patterns among Indiana counties. In 2005, the youngest counties exhibit one of two primary characteristics. There are major college student populations in Delaware (33.5 percent), Monroe (27.9 percent), and Tippecanoe (27.7 percent) counties. Meanwhile, there are sizable Amish and Mennonite populations that tend to have higher fertility rates in Adams (33.4 percent), Elkhart (33.4 percent), and LaGrange (29.8 percent) counties. Each of these counties will age modestly over the next thirty-five years, with the exception of Adams County, which will be one of six counties to actually get younger over the next three decades.

At the other end of the spectrum, ten counties had a median age of 40 or older in 2005. These counties are largely rural. As **Figure 3** shows, many Hoosier counties will age significantly. The number of counties with a median age of forty or above will increase from ten in 2005 to sixty-nine in 2040.

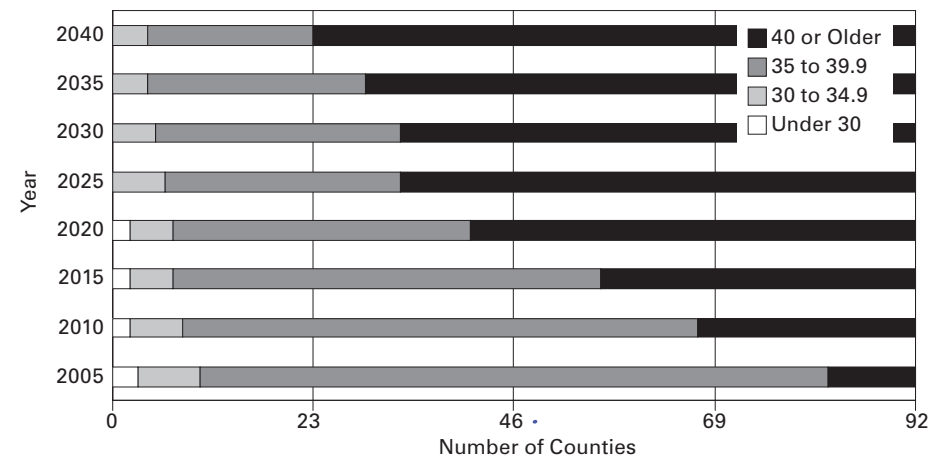
With 75 percent of Indiana’s counties exhibiting a median age of 40 or above in 2040, how is it that

FIGURE 2: Projected Share of Total Population by Age Group, 2005 to 2040



Source: Indiana Business Research Center

FIGURE 3: Projected Distribution of Counties by Median Age, 2005 to 2040



Source: Indiana Business Research Center

the state’s median age will remain below 40? Aging in Indiana over the next three decades will be more pronounced in rural areas of the state. Marion County, which is home to one of every seven Hoosiers, however, will have a median age of 37 in 2040. Other urban counties such as Allen, St. Joseph, Vigo, and Hamilton will also be below 40.

The Changing 25-to-54 Age Group

This boomer-driven aging could have some serious impacts on Indiana and its economy. Namely, will Indiana have the labor force to grow, or even maintain, its current level of economic activity?

Indiana is projected to have 2.6 million people age 25 to 54 by the year 2025—a 1.7 percent decline from 2005 levels. This is actually a rather modest decline compared to what is projected for other states.² But this change varies dramatically depending where in Indiana one looks.

Figure 4 illustrates county-level change between 2005 and 2025 in the number of 25- to 54-year-olds. Seven counties will see this age group increase 10 percent or more. Hamilton and Hendricks counties will experience the largest rate of change, with increases of 49 percent and 37 percent, respectively.

Most of the state, however, will not be as fortunate. Thirty-two counties (predominately rural in nature) will see their population between 25 and 54 years old decline more than 10 percent between 2005 and 2025. Rush, Martin, and Benton counties fare the worst on this measure, with projected declines exceeding 20 percent.

One should point out, however, that although fifteen counties will see an increase in the number of people in the 25-to-54 age group, virtually all counties will have a lower percentage of their population in the 25-to-54 demographic by 2025 compared to 2005. This will occur because other age groups will grow at an even faster rate. The exceptions are Monroe and Tippecanoe counties, whose 25-to-54 age group will remain stable because of the influences of Indiana University and Purdue University, respectively.

Figure 5 highlights the percent change from 2005 to 2040 in the 25–54 age group for Indiana, its metro areas and its nonmetro areas. Indiana will see a steady decline in this important labor force demographic over the next 15 years before it rebounds from 2020 to 2040. Urban areas will see the 25-to-54 age group decline slightly between 2010 and 2020 before it begins to exceed current levels in 2025 and beyond. The most alarming development is the likelihood of a 9 percent decline in this age group in rural Indiana by 2020. These labor force realities could hinder prospects for Indiana’s economic growth over the next 20 years, particularly in rural areas of the state.

However, decreased economic activity as a result of a shrinking labor force is by no means a certainty for our state. This decline could be offset by increased migration (both domestic and international), reduced out-migration (brain drain) or increased productivity. Additionally, there is a growing belief that many baby boomers will continue

FIGURE 4: Change in Population Age 25 to 54, 2005 to 2025

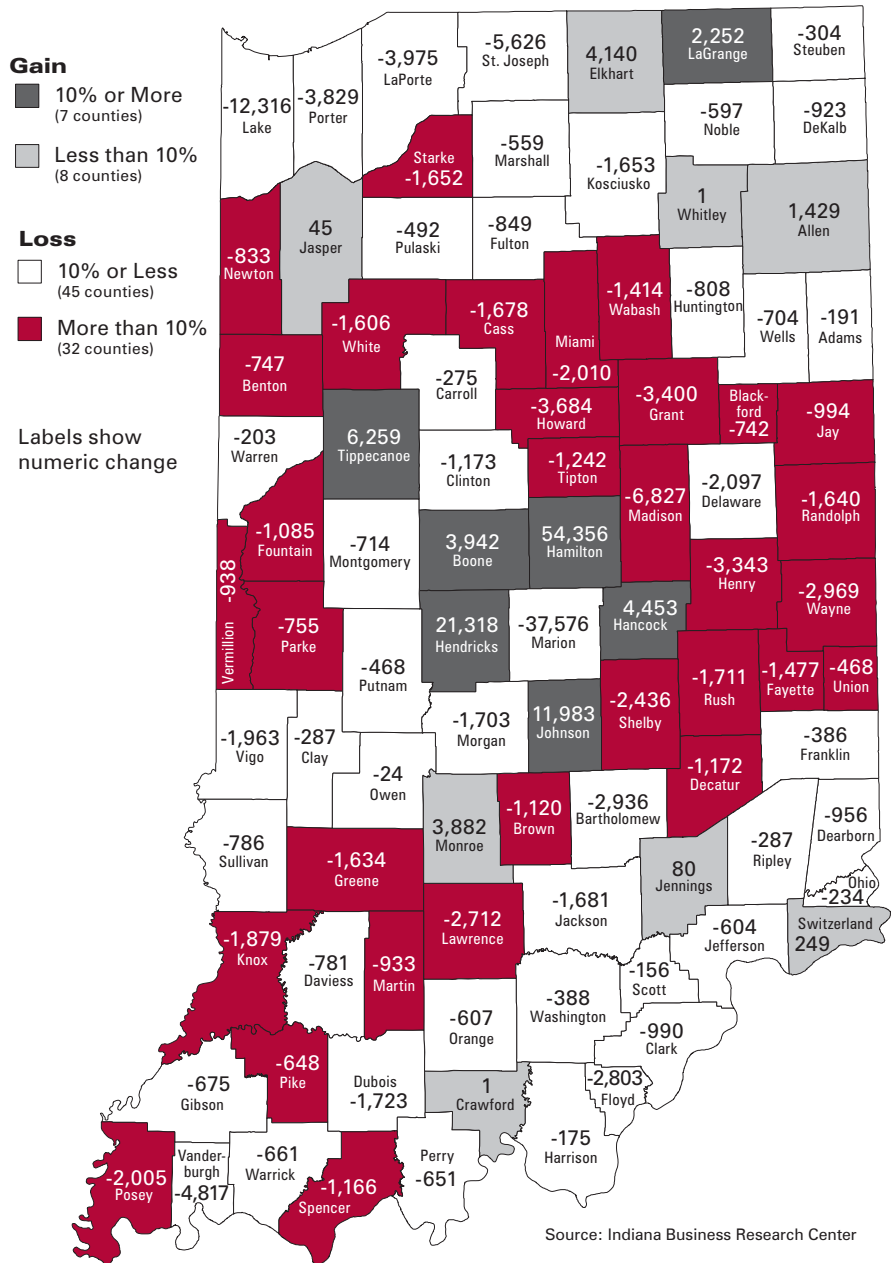
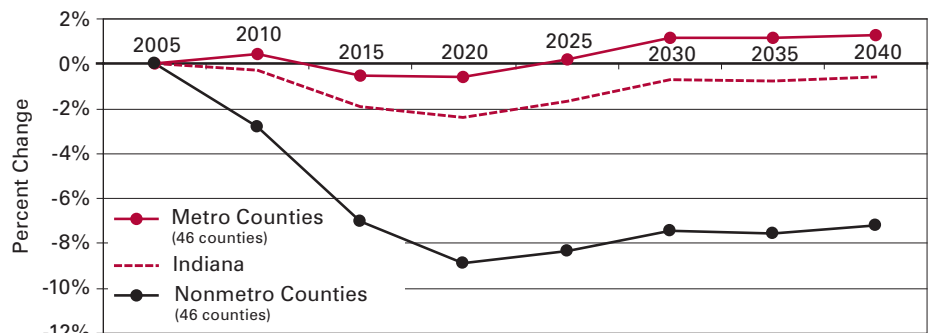


FIGURE 5: Projected Change in the 25-to-54 Age Group, 2005 to 2040



to work—whether by choice or necessity—into their retirement years.

Indiana’s School-Age Population

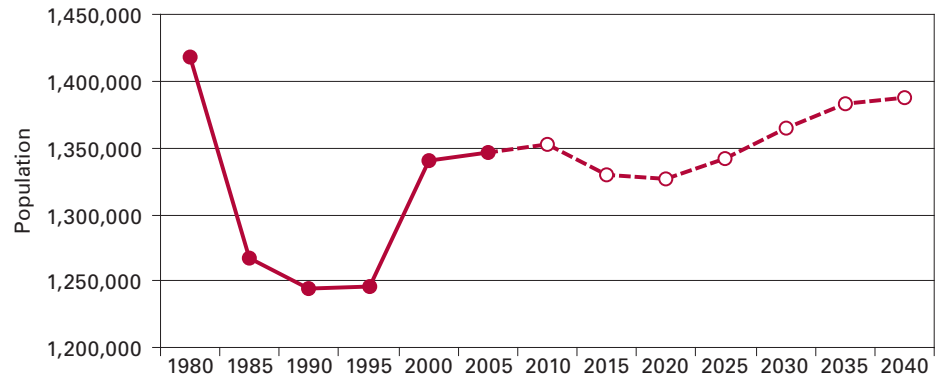
As **Figure 6** illustrates, Indiana will see its school-age population (defined here as age 5 to 19) decline by nearly 25,000 (2 percent) between 2010 and 2020. Beyond 2020, this age group will likely grow steadily over the next 20 years when it reaches a total of just under 1.4 million residents in 2040—a 3 percent increase over the current size.

There are two primary forces behind this pattern. The first is simply the typical ebb-and-flow of demographic dynamics. For instance, a look at **Figure 7** shows that in 2005 the 10-to-14 and 15-to-19 age groups are much larger than the age groups under 10. As these older cohorts age and are replaced by the younger cohorts, Indiana will see a temporary dip in school-age children. By 2020, however, we see that the 0-to-4 and 5-to-9 age groups are considerably larger than the older cohorts and will lead the rebound in school-age population.

Of course, the number of children in our state is directly related to the number of adults in the prime child-bearing age groups. Therefore, the decline in the school-age population between 2010 and 2020 can be attributed to the temporary decline currently seen in the number of females between the ages of 20 and 40 (see **Figure 8**). As the size of this population rebounds after 2005, so does the expected school-age population 10 to 15 years later.

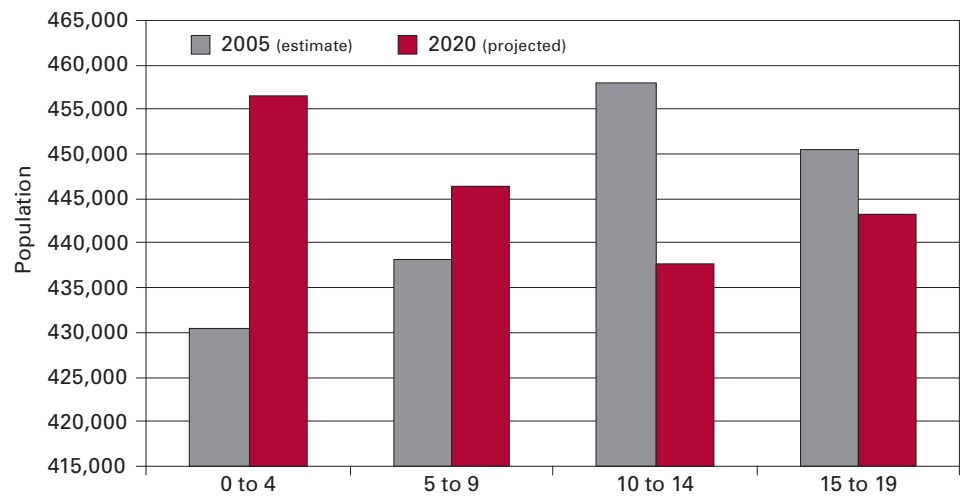
The second factor is the key assumption underlying these population projections: that the net in-migration that Indiana has experienced since the early 1990s will continue into the foreseeable future, although at a progressively lesser rate. Therefore, since migration is generally a function of economic opportunity, the realized patterns in future school-age populations will

FIGURE 6: Indiana Population Age 5 to 19, 1980 to 2040



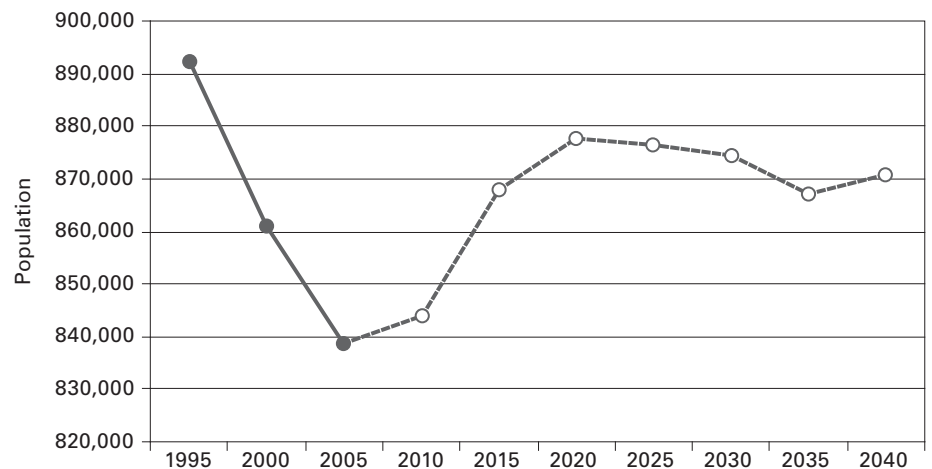
Source: Indiana Business Research Center

FIGURE 7: Indiana Population by Selected Age Groups, 2005 and 2020



Source: Indiana Business Research Center

FIGURE 8: Indiana Female Population Age 20 to 40, 1995 to 2040



Source: Indiana Business Research Center

hinge on Indiana's ability to grow and evolve economically.

Returning to **Figure 6**, we see how the combination of demographic and migration/economic forces have produced dramatic shifts in the size of this age group in the past. The school-age population, for instance, declined by 12 percent between 1980 and 1990 as the last of the baby boom generation progressed beyond this age group in the early 1980s and the state experienced significant net out-migration throughout the decade. The school-age population rebounded in the 1990s, with a growth of nearly 8 percent as the state once again experienced net in-migration and

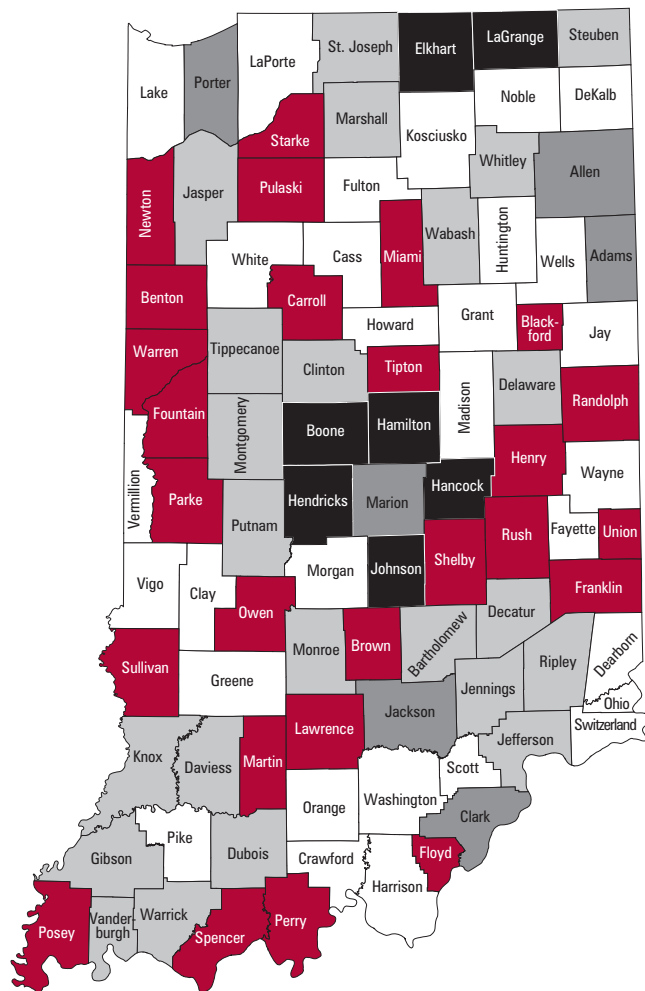
births increased slightly with baby boomers occupying the prime child-bearing years. In-migration, while still occurring, has cooled somewhat since 2000 but births have steadily risen since the late 1990s resulting in a slight increase (0.5 percent) in the size of the school-age population between 2000 and 2005.

The impact of migration patterns on the school-age population becomes even more evident when we analyze trends at the county level. The areas of Indiana that can expect a growing school-age population are those areas that will attract college graduates and young families. In Indiana, those communities figure to

increasingly be in our metropolitan areas.

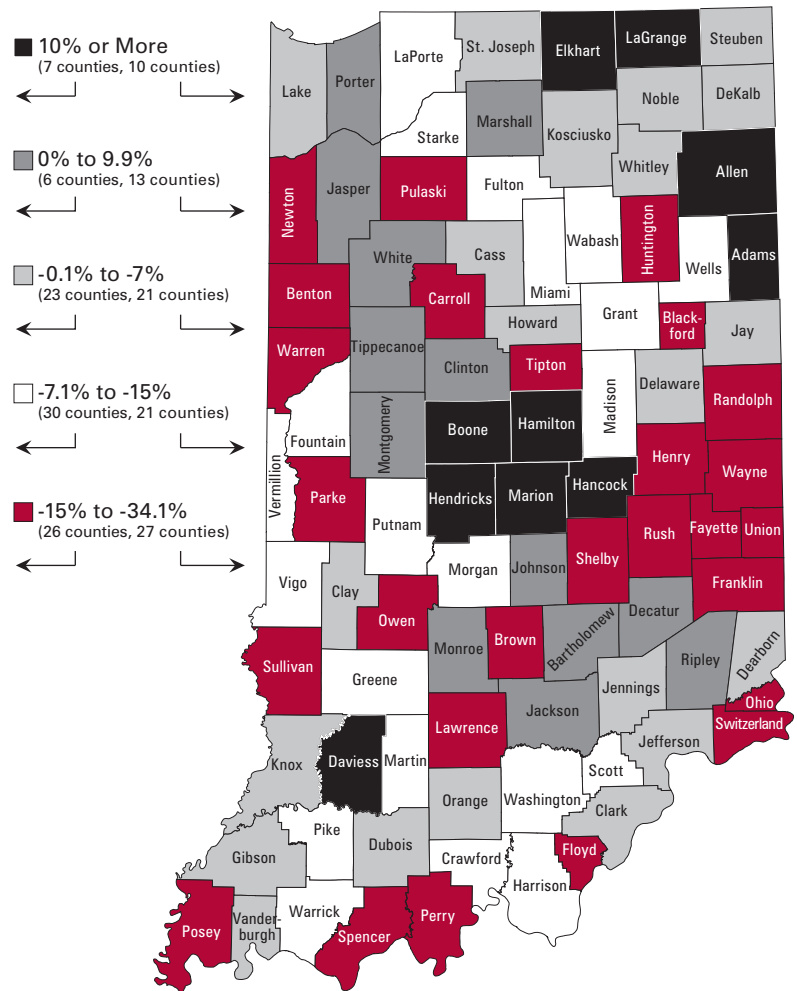
By 2025, when Indiana's school-age population as a whole will have returned to the approximate size it held in 2005, only thirteen of our state's ninety-two counties will have shown an increase in the population age 5 to 19 (see **Figure 9**). Not surprisingly, six of these thirteen counties are in the Indianapolis metro area (MSA) led by Hamilton County (52 percent increase), Hendricks County (22 percent), Hancock County (20 percent), and Boone County (15 percent). Other urban or suburban counties that will show increases are Allen, Clark, Elkhart, and Porter

FIGURE 9: Percent Change in Population Age 5 to 19, 2005 to 2025



Source: Indiana Business Research Center

FIGURE 10: Percent Change in Population Age 5 to 19, 2005 to 2040



Source: Indiana Business Research Center

counties. The two rural exceptions, Adams and LaGrange counties, are characterized by large Amish and Mennonite populations which tend to have higher fertility rates than the general population.

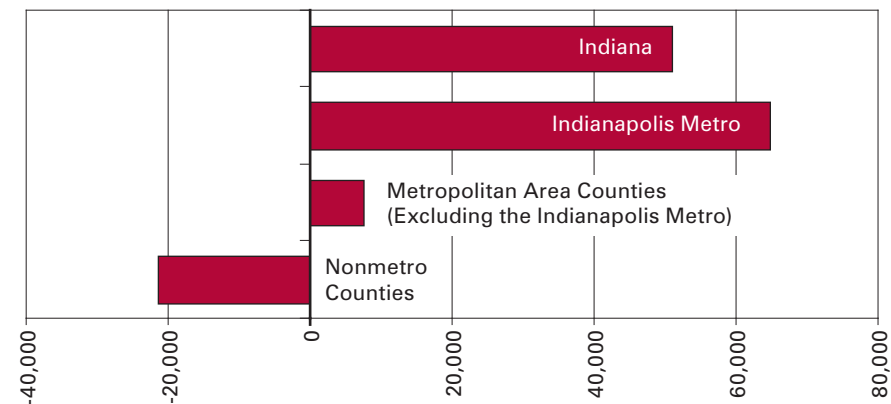
Figure 10 illustrates that by 2040, an additional ten counties will likely exhibit a growth in its school-age population bringing the state to a total of twenty-three counties which will have a larger 5-to-19 population than they had in 2005. That means that over the next thirty years, three out of four Indiana counties will see a decline in this age group.

The areas to see the greatest relative losses will be predominately nonmetro counties. However, several of Indiana’s metropolitan areas will see a significant decline in these age groups as well.

A look at recent migration movements indicates why these discrepancies are likely. **Figure 11** examines the net migration totals from 2000 to 2006 for Indiana and three broad subsets of the state: the Indianapolis MSA, other Indiana MSAs and nonmetro counties. In-migration to the ten-county Indianapolis metro exceeded the state total over this period by nearly 14,000 residents. Taken together, other Indiana metro areas showed very modest in-migration while nonmetro counties experienced significant out-migration.³ The effect of migration on future school-age populations in rural areas is compounded by the tendency for young adults to migrate from these areas at a greater rate than other age groups.

In many communities, these various local trends will have serious impacts on school enrollments and,

FIGURE 11: Net Migration, 2000 to 2006



Source: Indiana Business Research Center, using U.S. Census Bureau data

by extension, school facility and human resource planning.⁴ Many suburban school districts can expect continued enrollment growth while some rural districts are likely to experience sharp declines. Beyond school enrollments, communities with shifting school-age populations will also have to plan for changes in social service delivery, health care availability, and recreation opportunities among other issues.

Conclusion

Indiana as a whole will continue to grow, but that population growth will not happen evenly throughout our state. Some urban and suburban communities should plan for sustained growth while other urban areas and many rural counties will have to cope with continued losses. Similarly, growth will not occur proportionally among age groups as the senior population will nearly double. As we’ve seen, two primary forces will shape these changes in the coming decades: the aging of the baby boom generation and migration.

The aging population is a certainty in Indiana, as it is nationally, and its impacts on various social programs, the tax base, health care, and housing are predictable to a degree. Migration, on the other hand, is a volatile process that is closely linked to economic opportunity. These population projections will be accurate only to the extent that recent migration trends hold into the future. It is migration, then, that offers communities the greatest opportunity to influence their population change. Future economic prospects and quality of life developments will be key determinants in any community’s ability to maintain its current population or to attract residents. ■

Notes

1. To access the entire population projection dataset, please visit www.stats.indiana.edu/topic/projections.asp.
2. Rachel Justis, “Workers Needed: Please Apply by 2025—The Changing 25-to-54 Age Group,” *InContext*, February 2008.
3. For a more detailed analysis of migration trends over this period, see Rachel Justis, “What’s Driving Population Growth in Indiana Counties and Regions?” *InContext*, July 2007.
4. Since most counties have multiple school districts, it is not appropriate in many cases to use these county-level projections for school district analysis. Population change can vary widely within counties, particularly in fast-growing communities.

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