

**Minnesota's Economics &  
Demographics  
Looking To 2030 & Beyond**

Tom Stinson, State Economist  
December 2008

# **Minnesota Has Been Very Successful**

**(Especially For A Cold Weather State at the End of the Road)**

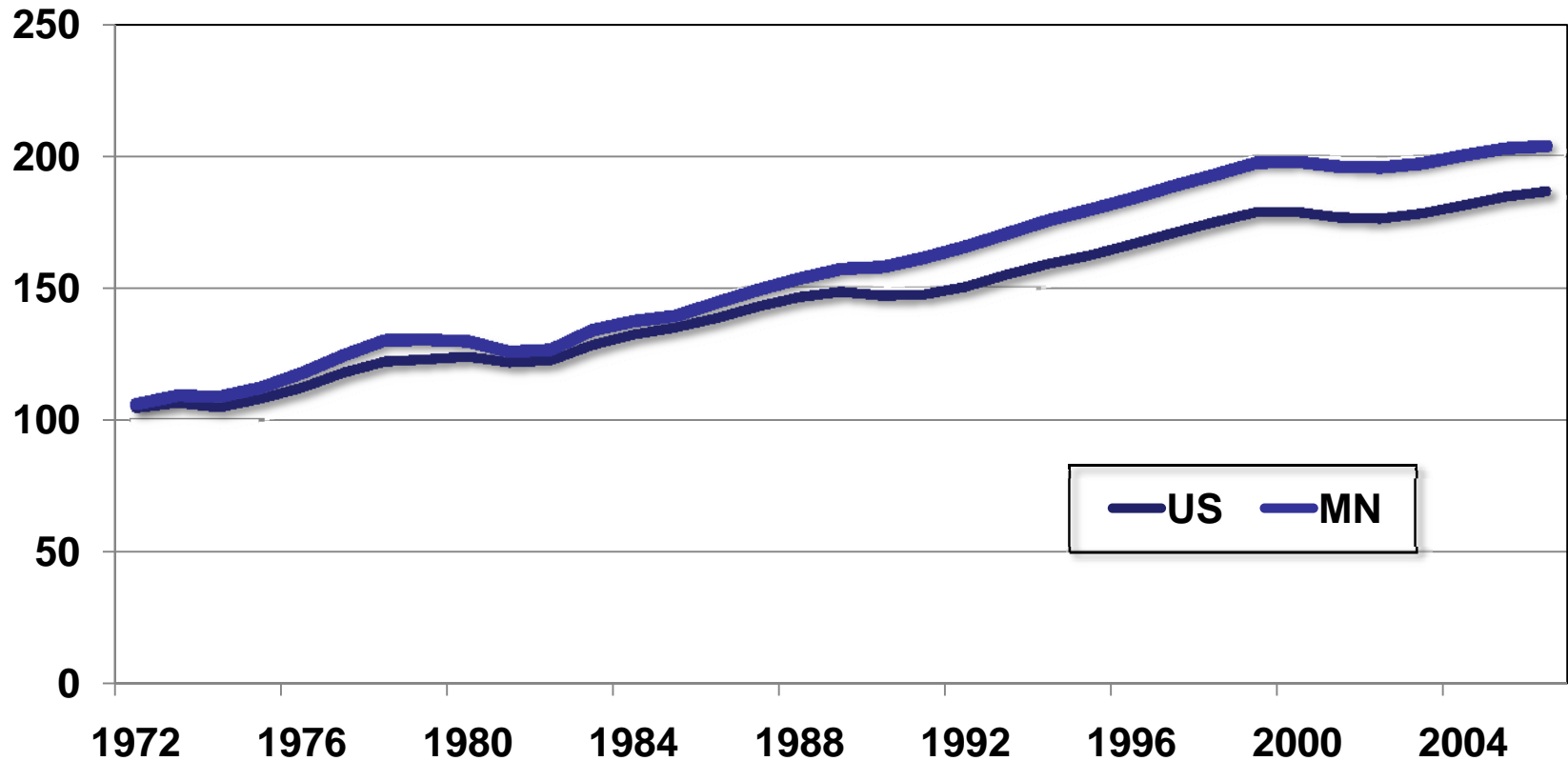
- **Our economic growth rate has exceeded the national average**
- **Our population growth rate leads the frost belt**
- **We rank with the leaders on many social and economic indicators**
- **Education has been a key contributor to the state's success**

# **Minnesota's Per Capita Personal Income Exceeds the U.S. Average by 6 Percent**

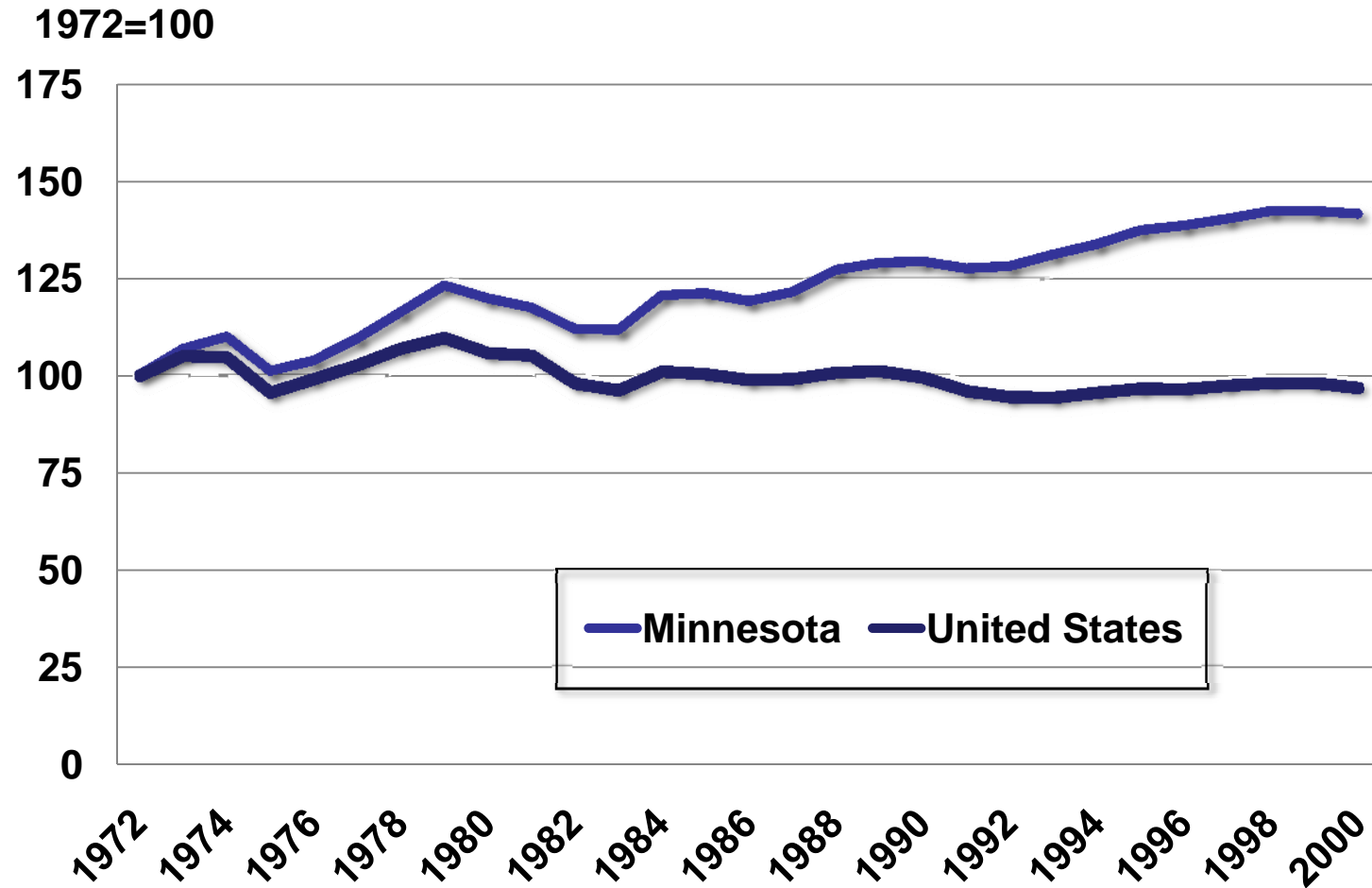
- **Minnesota ranked 14<sup>th</sup> in personal income per capita in 2006- - - In 1960 Minnesota ranked 25<sup>th</sup>**
- **Personal income per capita grew at an average annual rate of 6.8 percent between 1960 and 2005**
- **Since 1960 per capita personal income has grown faster in Minnesota than in most states outside the Southeast**

# Payroll Employment in Minnesota Has Grown Faster than the US Average

Index  
1972 = 100



# Manufacturing Employment 1972-2000



# Minnesota Ranks Highly in Many Social/Economic Indicators

- **2<sup>nd</sup> percent of 16-64 employed (76.9%)**
- **2<sup>nd</sup> cost of living adjusted per capita income (OK DOC)**
- **8<sup>th</sup> lowest poverty rate**
- **1<sup>st</sup> percent with health insurance 2004-06 ave**
- **9<sup>th</sup> median family income in 2006**
- **2<sup>nd</sup> Kids Count 2007**
- **4<sup>th</sup> most livable state (Morgan Quinto Press)**
- **4<sup>th</sup> lowest rate of disability among people age 16-64**
- **1<sup>st</sup> with at least high school degree (90.7%)**
- **12<sup>th</sup> with at least a bachelor's degree**
- **1<sup>st</sup> home ownership**
- **2<sup>nd</sup> United Health Foundation ranking of state healthiness 2007**

Updated July 2008

**Past Performance  
Does Not Ensure  
Future Results**

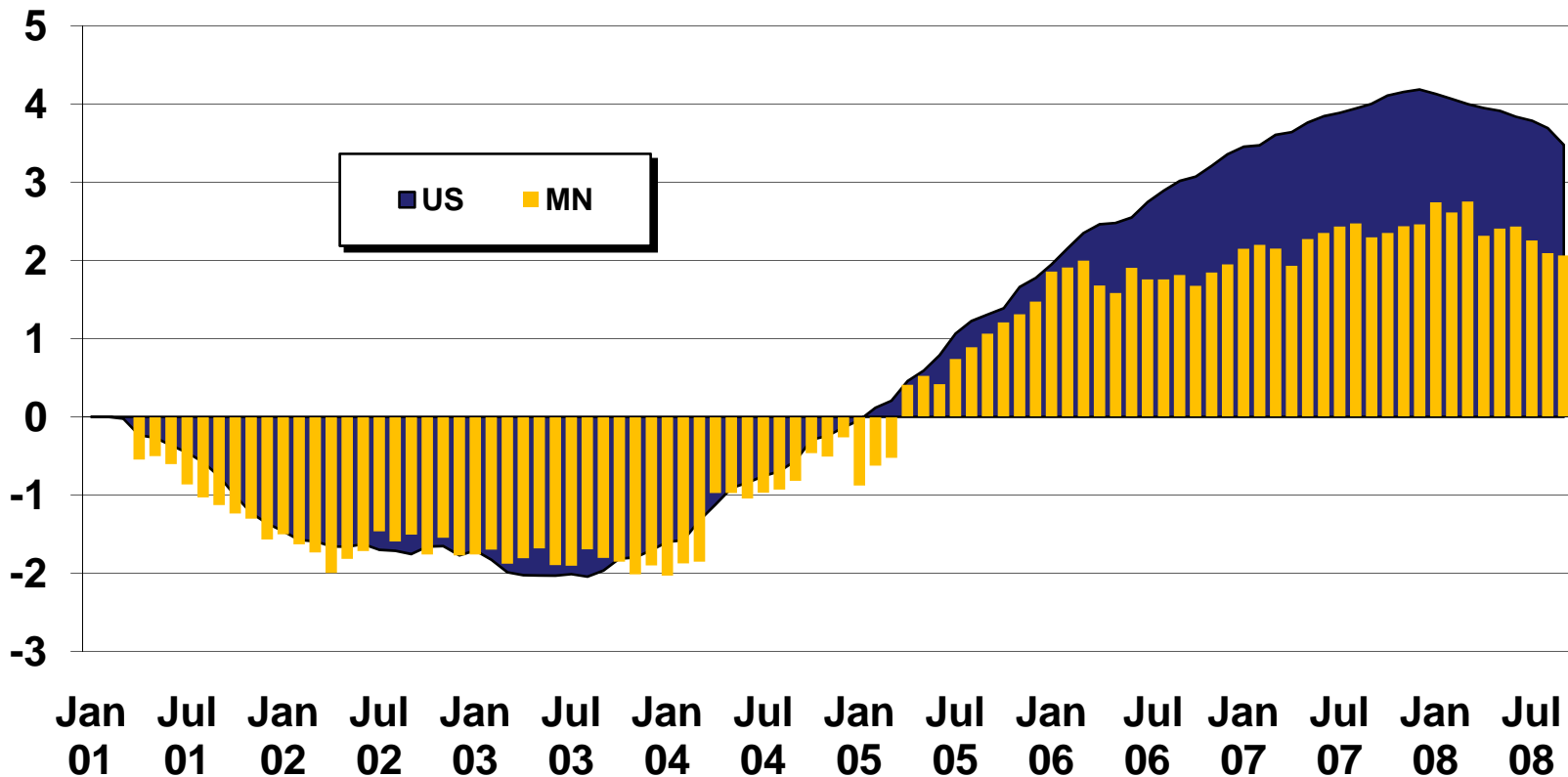
# From 2004 to 2007 Minnesota Underperformed the US Averages

- **Personal income growth**  
*US 6.2% MN 4.4%*
- **Per capita personal income growth**  
*US 16.6% MN 13.5%*
- **GDP growth**  
*US 8.4% MN 4.8%*
- **GDP per capita growth**  
*US 5.4% MN 2.6%*



# Minnesota Payroll Employment Has Struggled Since 2006

Percent Change From  
February 2001



**What About Tomorrow?**

# **Economic Fact of Life #1**

## **First Principle of Economic Growth**

**Standard of Living depends on output per resident**

**Output = Output per Hour \* Hours Worked**

# Four Mega-Forces Will Shape Minnesota's Economy

- **Globalization**
- **Technology**
- **Energy prices**
- **Demography (today's focus)**

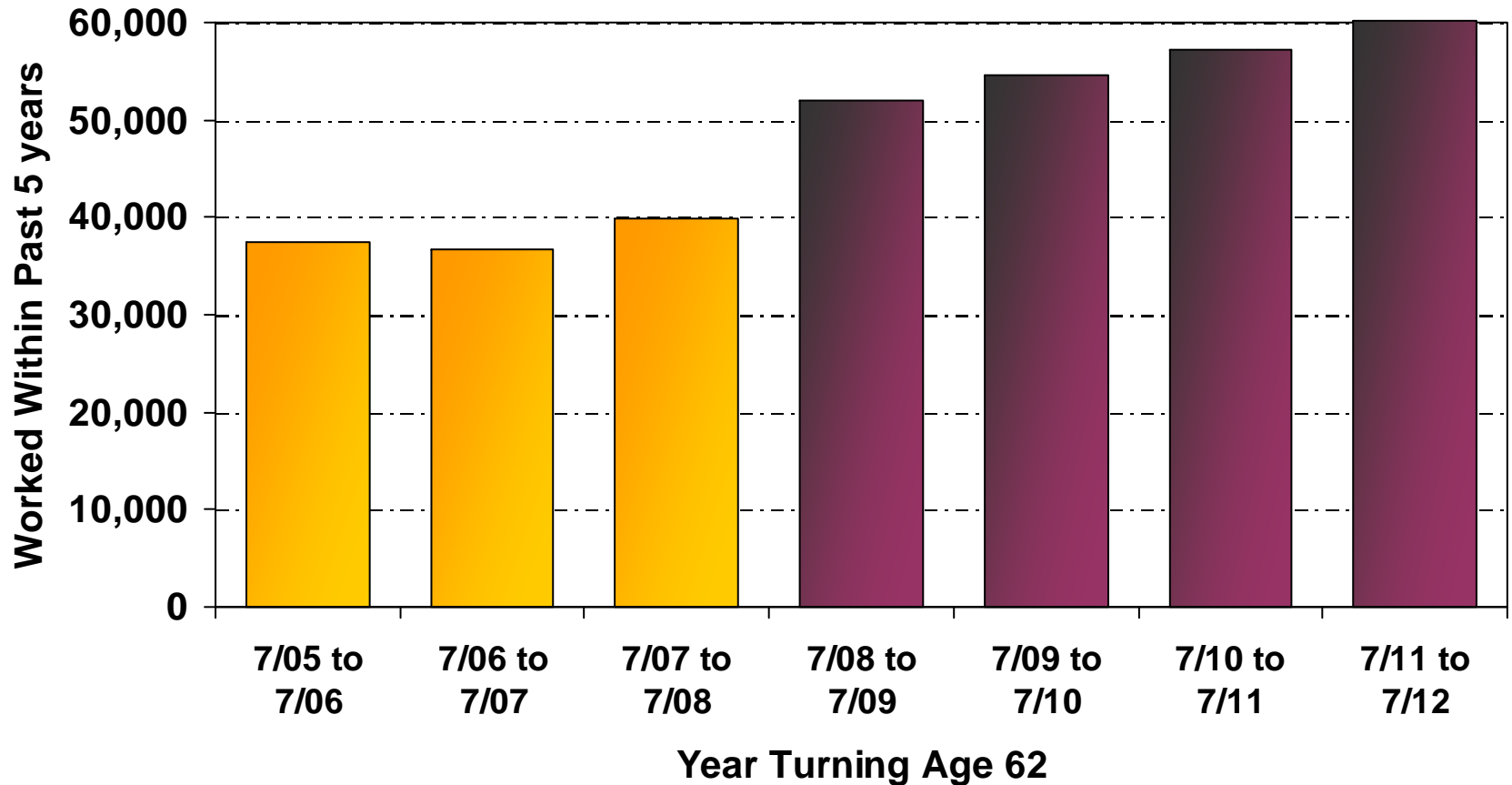
# The Three Most Important Factors For Future Economic Success

1. Productivity
2. Productivity
3. Productivity

# **Aging Is The Dominant Demographic Trend In Minnesota And The Nation**

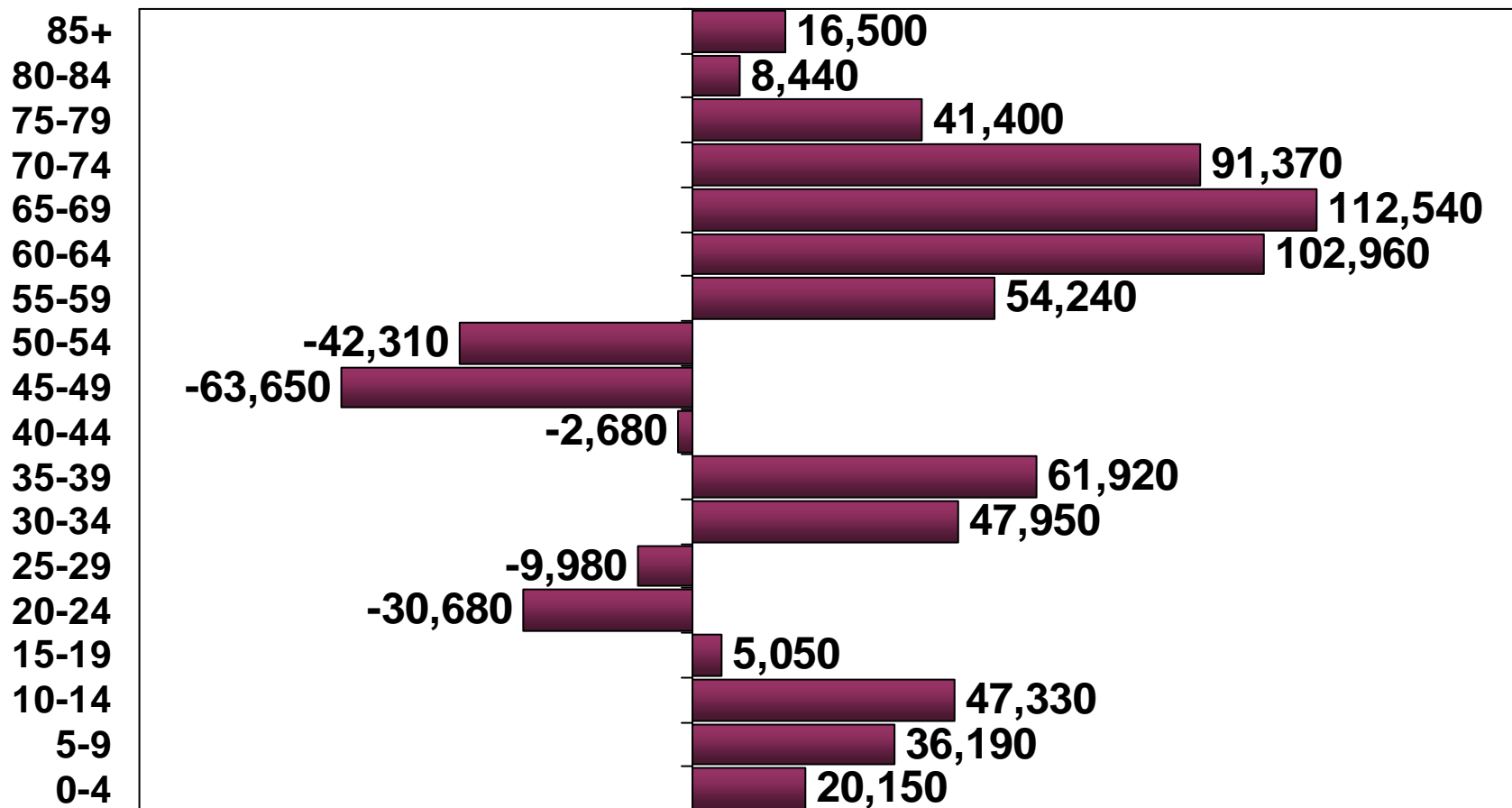
- **It is not normal for a society to age**
- **Dramatic changes will be seen in 2008 and 2011 and beyond**
- **By 2020, the number of Minnesotans 65+ will increase by 53%. By 2030 it will double**
- **Aging and economic growth will lead to challenges and opportunities not fully anticipated**

# The Number of Workers Turning Age 62 Will Jump 30 Percent in 2008



2005 ACS

# From 2010 to 2020, Minnesota Will See Large Increases Age 50s and 60s

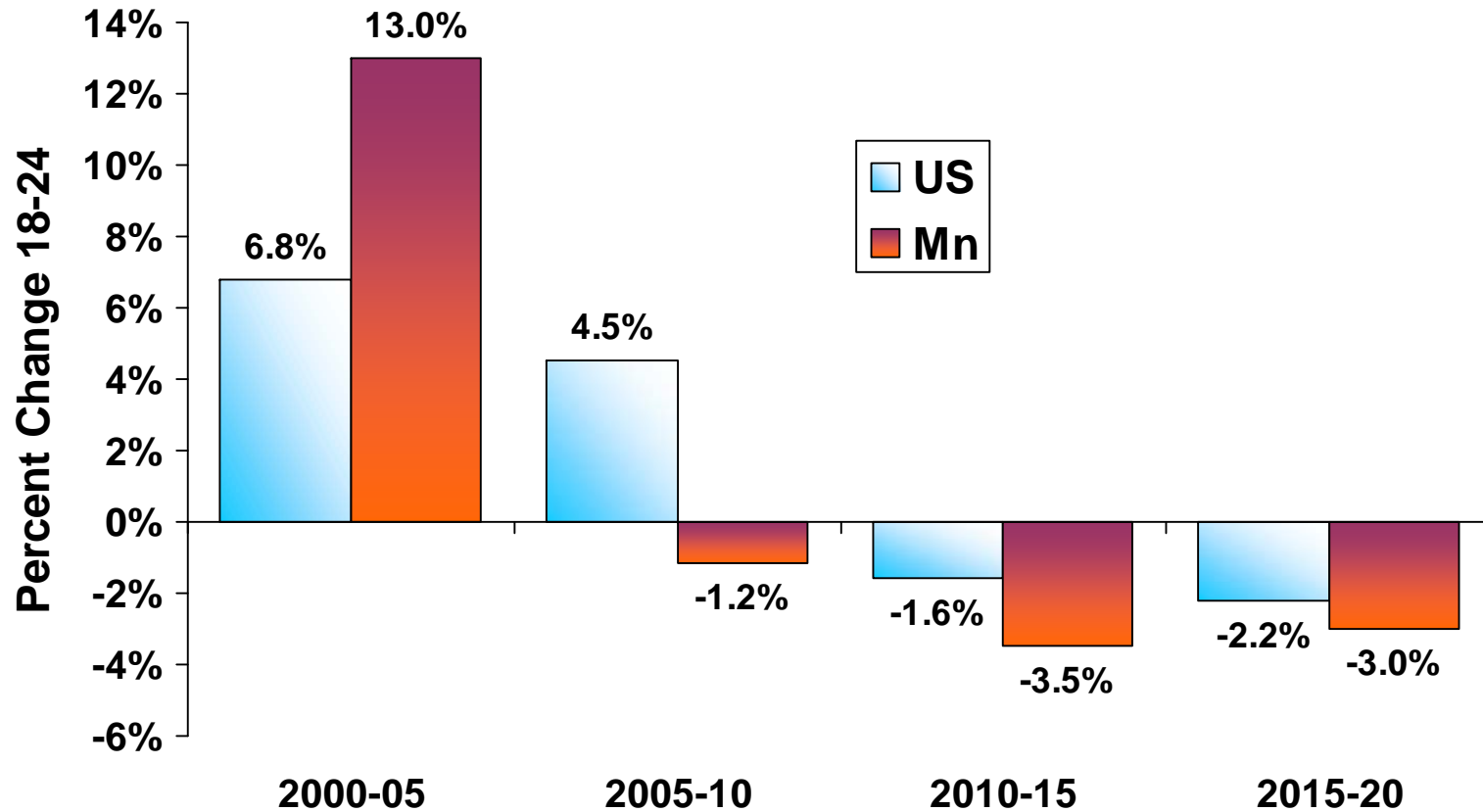


Source: Minnesota State Demographic Center

Numbers are rounded

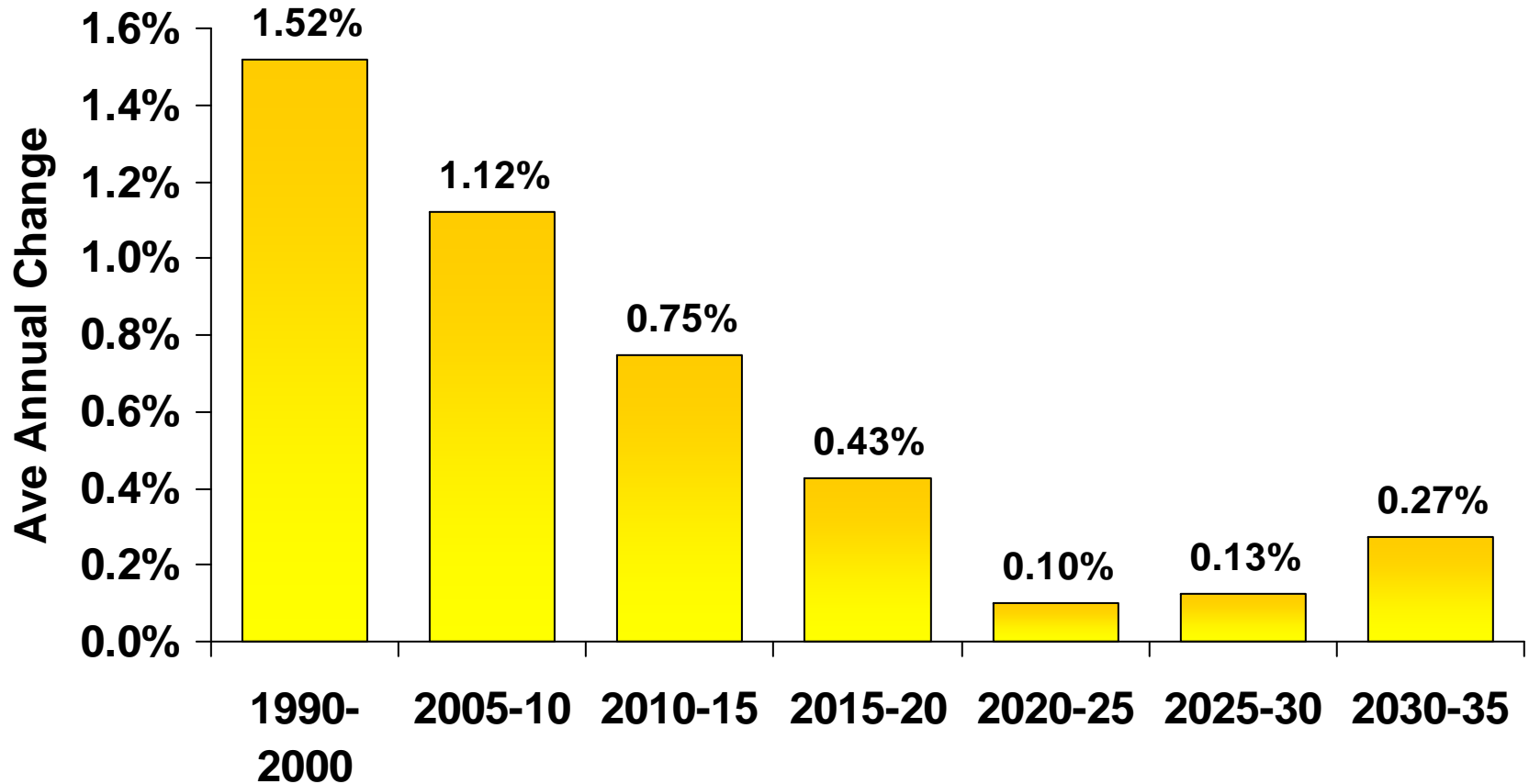


# Competition For The Future Workforce Will Increase



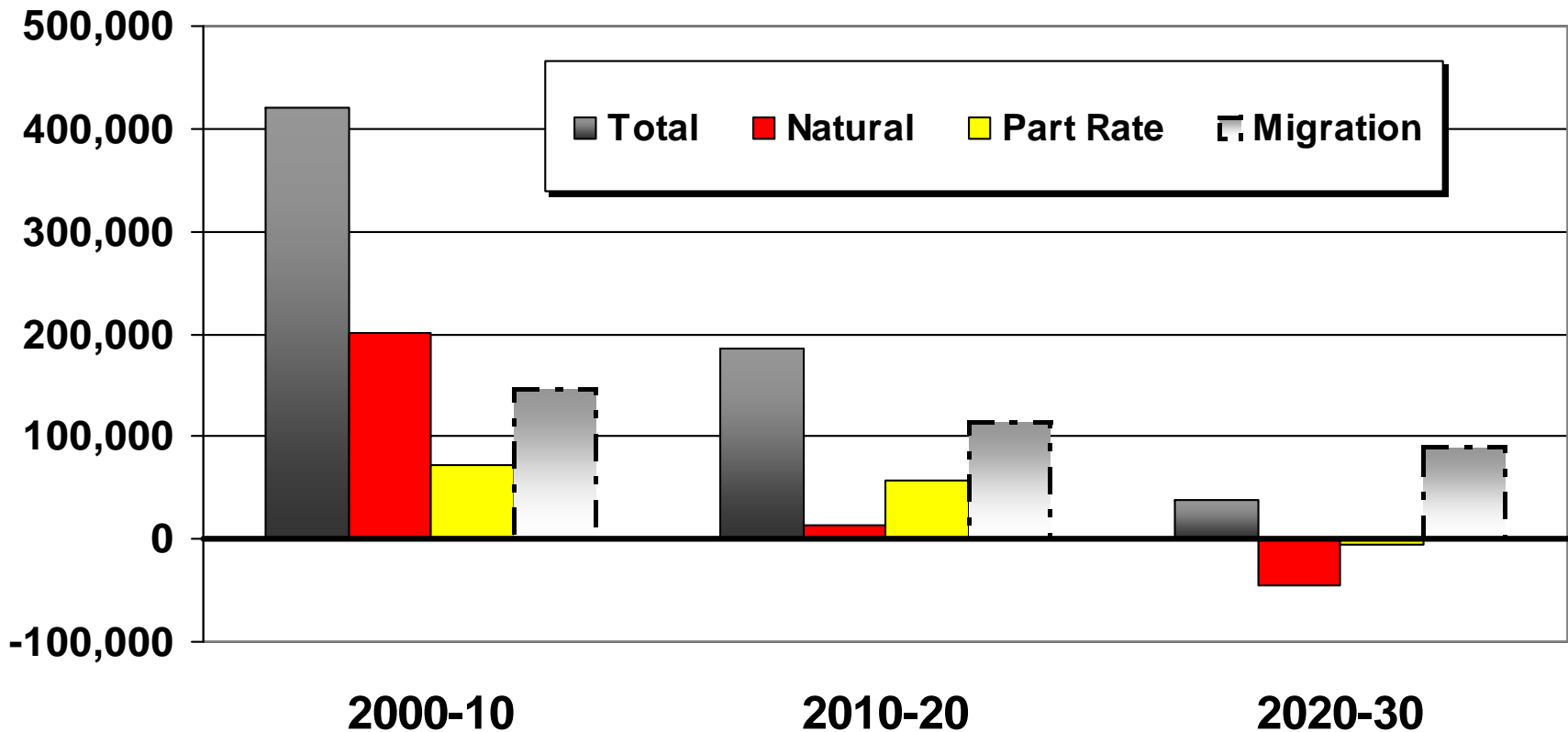
Census Bureau US Proj, Mn State Demographer revised 2007

# Labor Force Growth Is About To Slow Sharply



# Migration Increases in Importance as Labor Force Growth Slows

Net Labor Force Growth



State Demographer projection revised 2007

**The  
Economist**

OCTOBER 7<sup>TH</sup>-13<sup>TH</sup> 2006

[www.economist.com](http://www.economist.com)

China, Japan and North Korea's nukes

The great Airbus crisis

Misery for the Republicans

Can you really stop online gambling?

Angela's ashes: Merkel in trouble

# The search for talent

Why it's getting harder to find

A 15-PAGE SPECIAL REPORT



# **Workforce Development Will Be Crucial to Minnesota's Economic Future**

- **Number of workers**
- **Quality of workers**
  - **New entrants**
  - **Incumbent workforce**

# **The New 3 R's for Economic Success in the 21<sup>st</sup> Century**

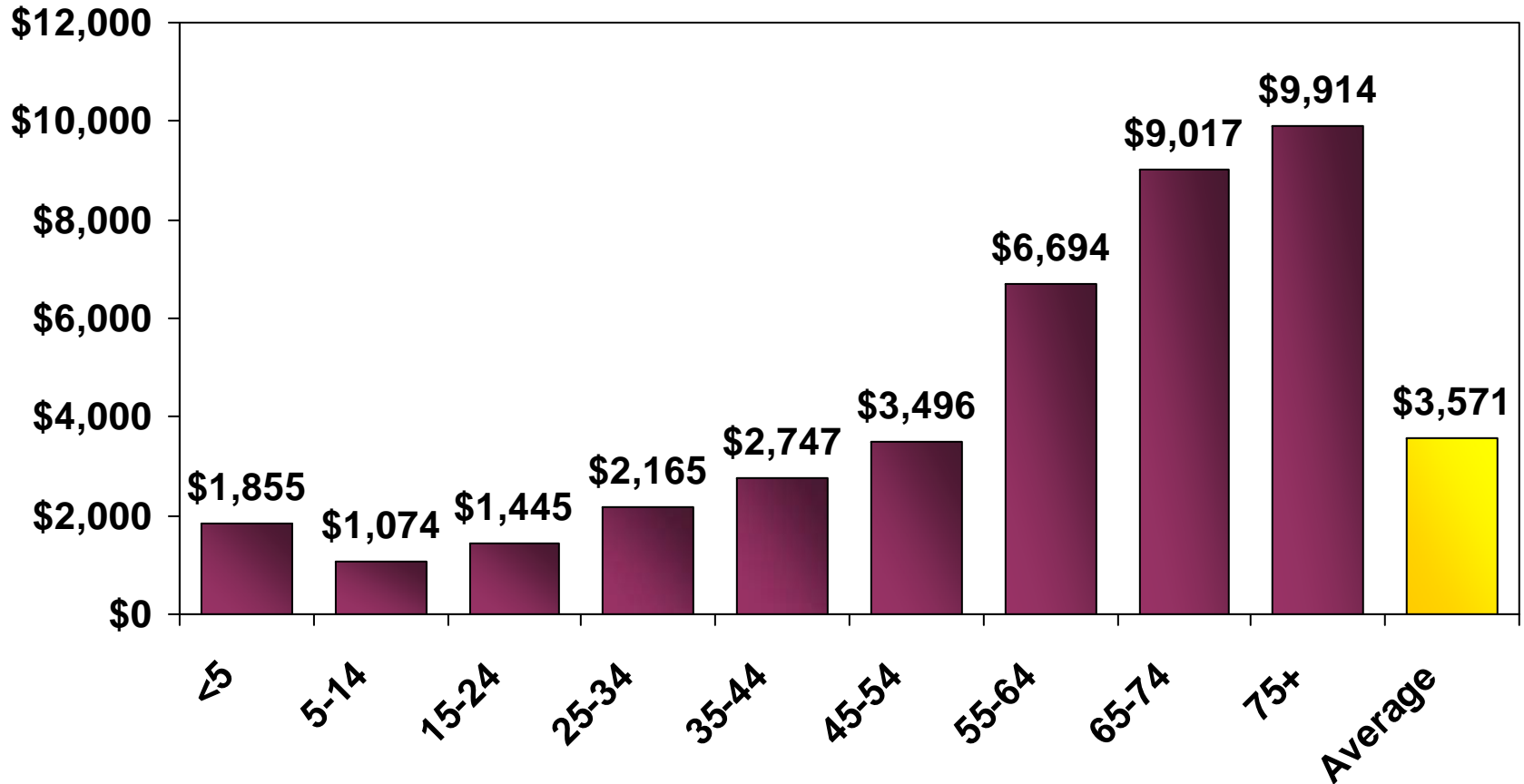
**Retention**

**Recruitment**

**Retraining**

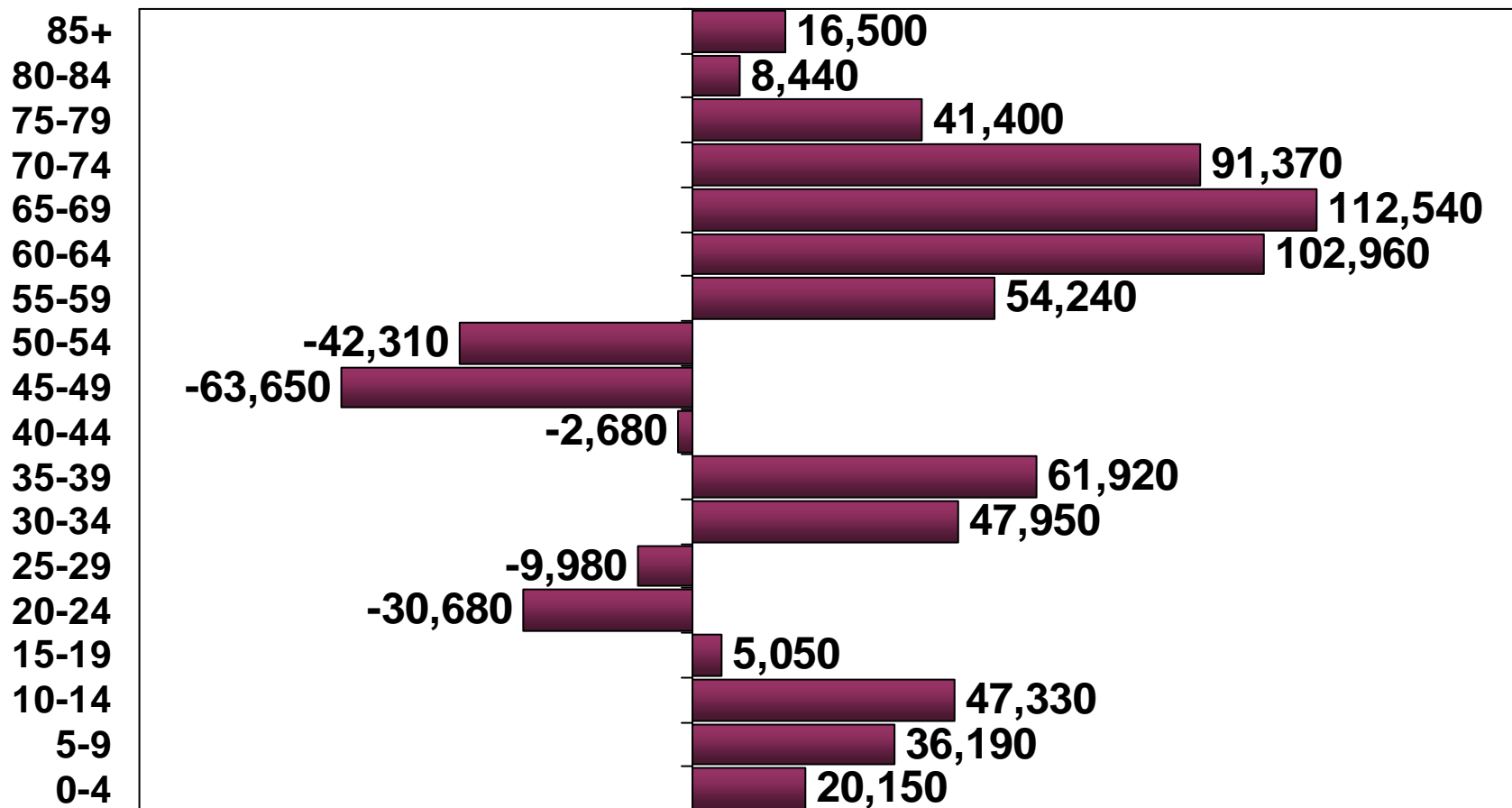
# Health Care Spending Jumps After 55

## U.S. Health Care Spending By Age, 2004



Source: Agency for HealthCare Research and Quality, Medical Expenditure Panel Survey, data for per capita spending by age group in the Midwest. Excludes spending for long-term care institutions.

# From 2010 to 2020, Minnesota Will See Large Increases Age 50s and 60s



Source: Minnesota State Demographic Center

Numbers are rounded



## **Economic Fact of Life #2**

- **Productivity depends on**
  - **The stock of physical capital**
  - **The stock of human capital**
    - **Education**
    - **Health status**
  - **The stock of infrastructure**
  - **Advancements in technology**
  - **Increases in product value**

# Academic Research Is a Key Factor in State Economic Growth

- “the lags between R&D and economic outcomes are quite long (at least years, and more likely decades)
- “The state ... may do well for a while by drawing upon its existing stock of knowledge capital
- “How the state of Minnesota will fare in the future ... will crucially depend on its recent and future investment in R&D

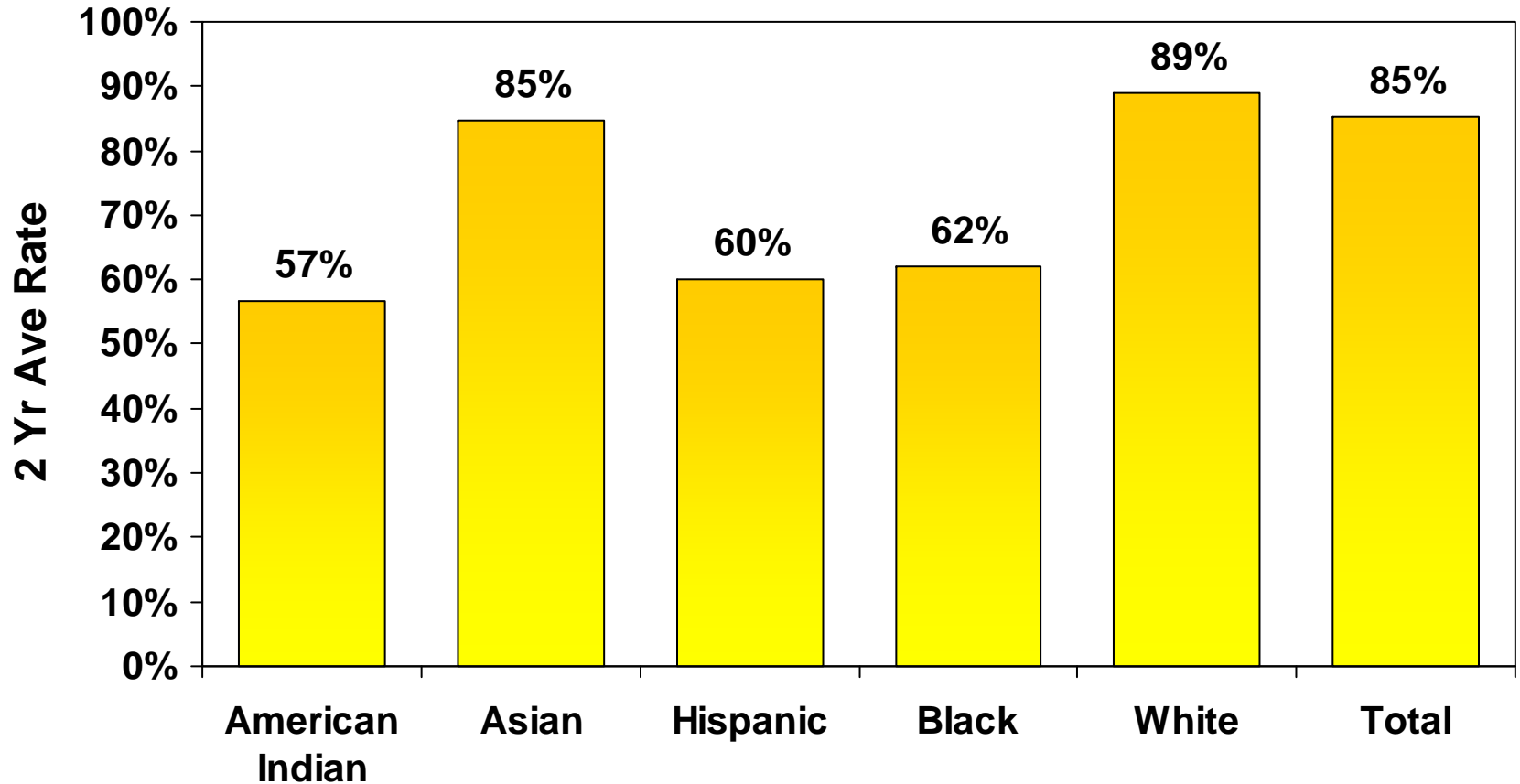
\* *Long Gone Lake Wobegone*, Pardey, Dehmer and Beddow, 2007

# **R&D Spending Slowed in the Early 90s We Are No Longer Above Average**

|   | <b><u>Rank 1972</u></b> | <b><u>Rank 2004</u></b> |
|---|-------------------------|-------------------------|
| <b>Total Academic R&amp;D</b>             | <b>19</b>               | <b>26</b>               |
| <b>Academic R&amp;D per capita</b>        | <b>20</b>               | <b>40</b>               |
| <b>Academic R&amp;D per dollar of GSP</b> | <b>20</b>               | <b>43</b>               |

# Education Is The Key To Productivity

## Minnesota High School Graduation Ratio



2004-05 through 2005-06 graduates. Based on 10<sup>th</sup> grade enrollment three years earlier.

# Summary

- **Minnesota has been very successful**
- **We are in a period of rapid and critical change**
- **What we do today will shape our future for the next quarter century**
- **Productivity increases will be the key to further growth throughout Minnesota**