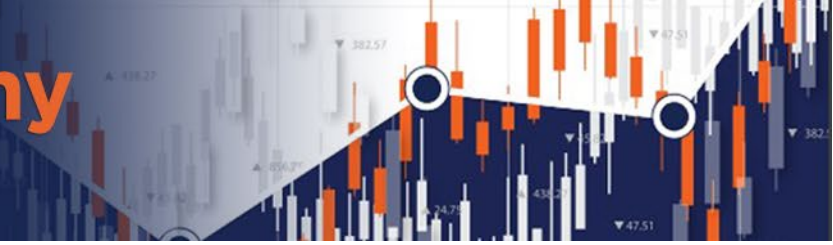


How an aging population impacts long-term growth in Minnesota's economy

Minnesota Chamber Foundation



Minnesota: 2030

Trends heading into the decade

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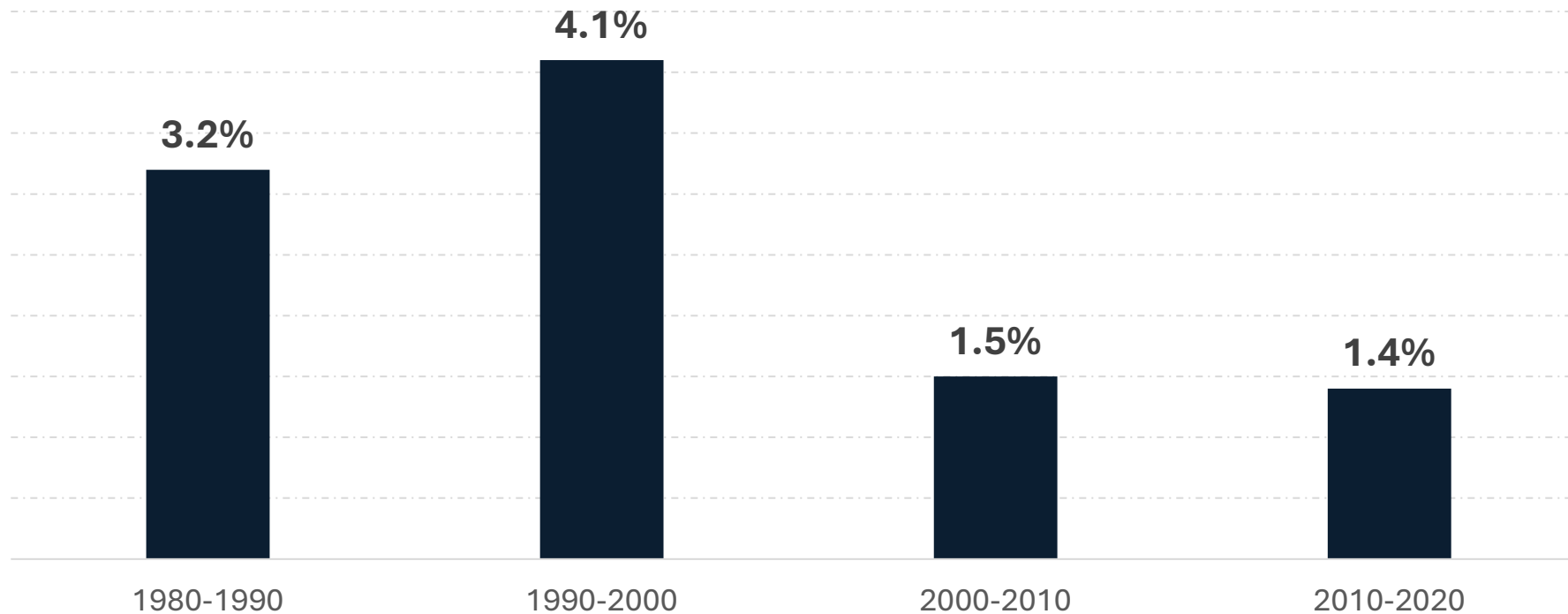
Minnesota has a highly developed economy

- 1 High Value.** Per capita income, GDP per capita, and labor productivity levels. Per capita income is 104% of U.S. levels.
- 2 Hard Working.** 6th highest labor force participation and structurally lower unemployment rates than U.S.
- 3 Educated and skilled workforce.** 5th highest share of adults with a 2-year degree or higher.
- 4 Innovation.** 7th most patents per capita in U.S.
- 5 Corporate hub.** 15 Fortune 500 headquarters and the highest concentration of Management of Companies jobs in the U.S.
- 6 Diverse economy.** Jobs spread across major industry sectors. 5th most diverse economy in U.S.
- 7 Industry clusters in key sectors.** Health care and Med-tech, Food & Ag, Headquarters, Finance & Insurance, High Tech.

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But our economic growth has slowed over time

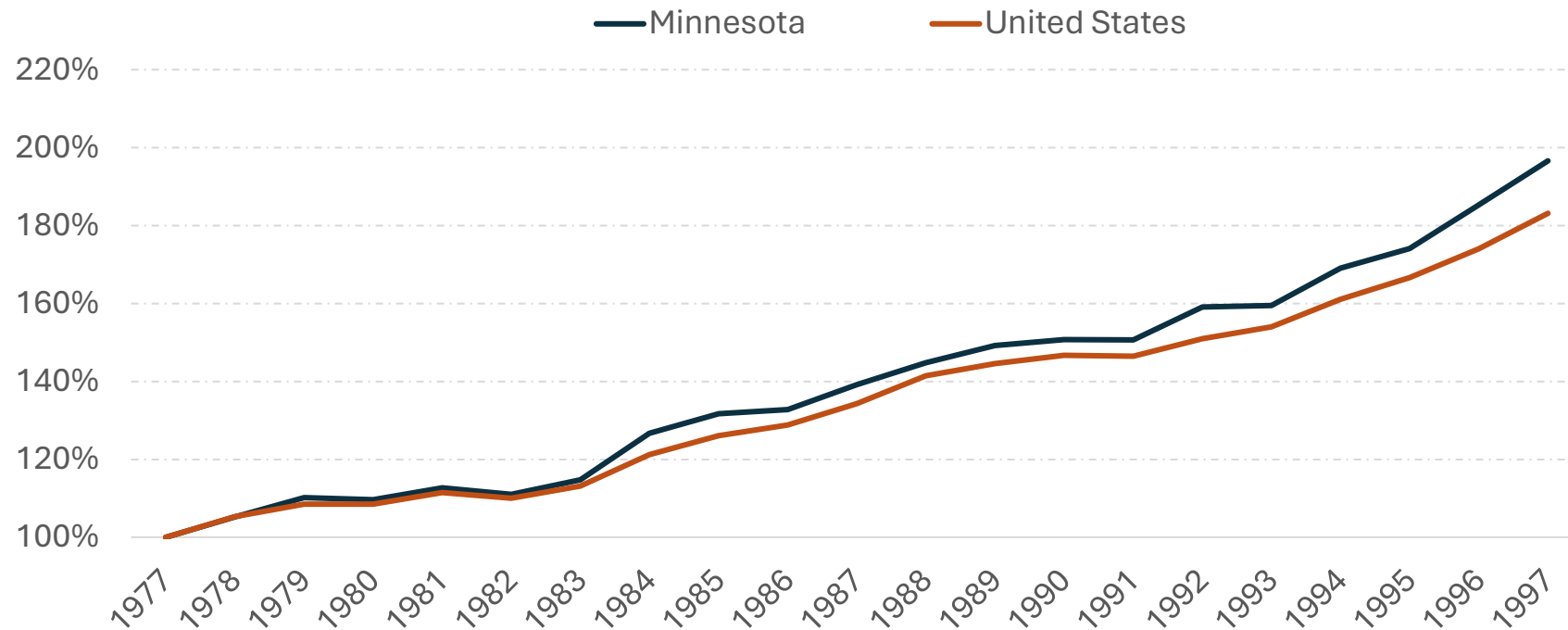
Minnesota real GDP growth (CAGR) by decade



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Minnesota outpaced the U.S. in the 1970s–1990s

Real GDP 1977-1997: Index (1997 = 100%)



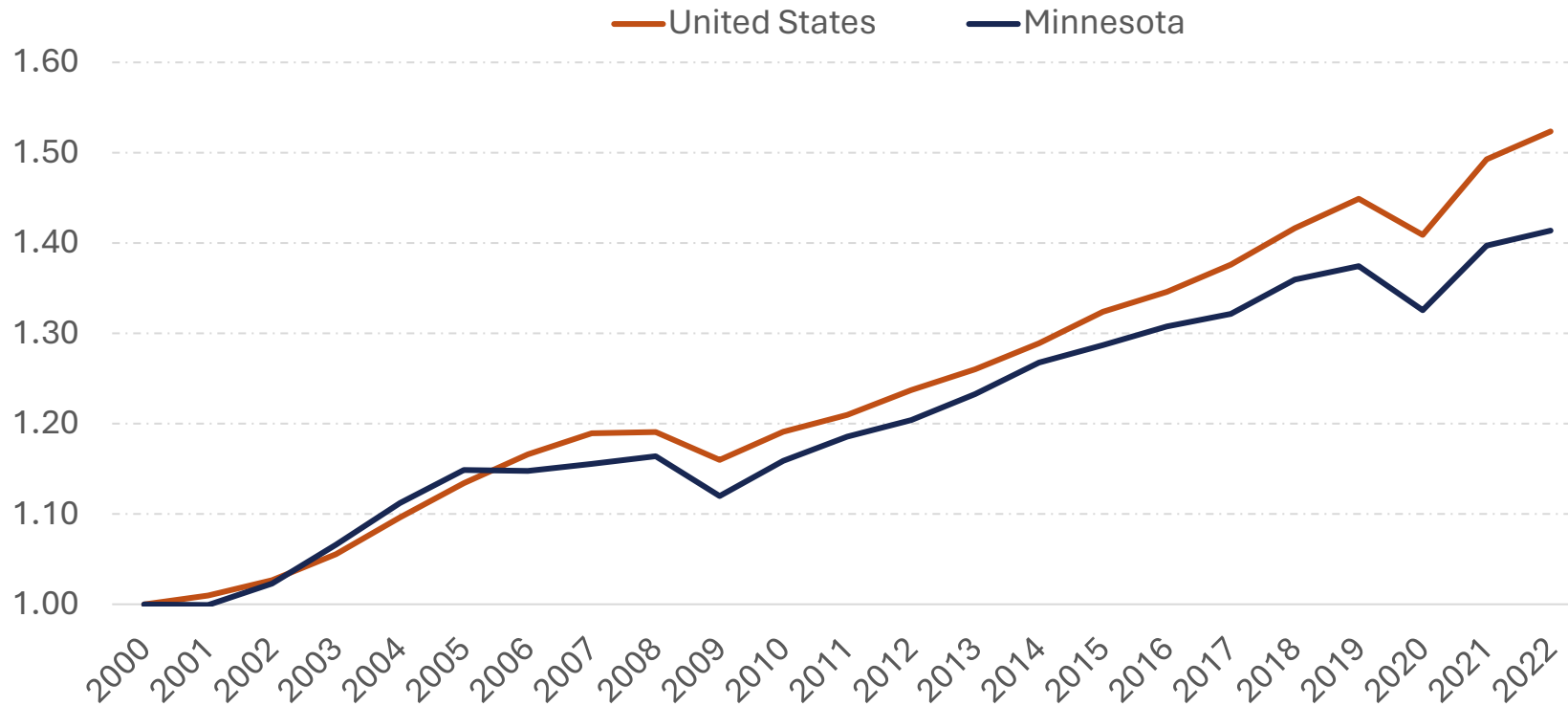
*Real GDP annual
growth rate, 1977-1997*

- **MN = 3.4**
- **U.S. = 3.1**

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Minnesota's GDP growth slowed and has lagged U.S. economy since 2000

Real GDP 2000-2022: Index (2000 = 1.00)



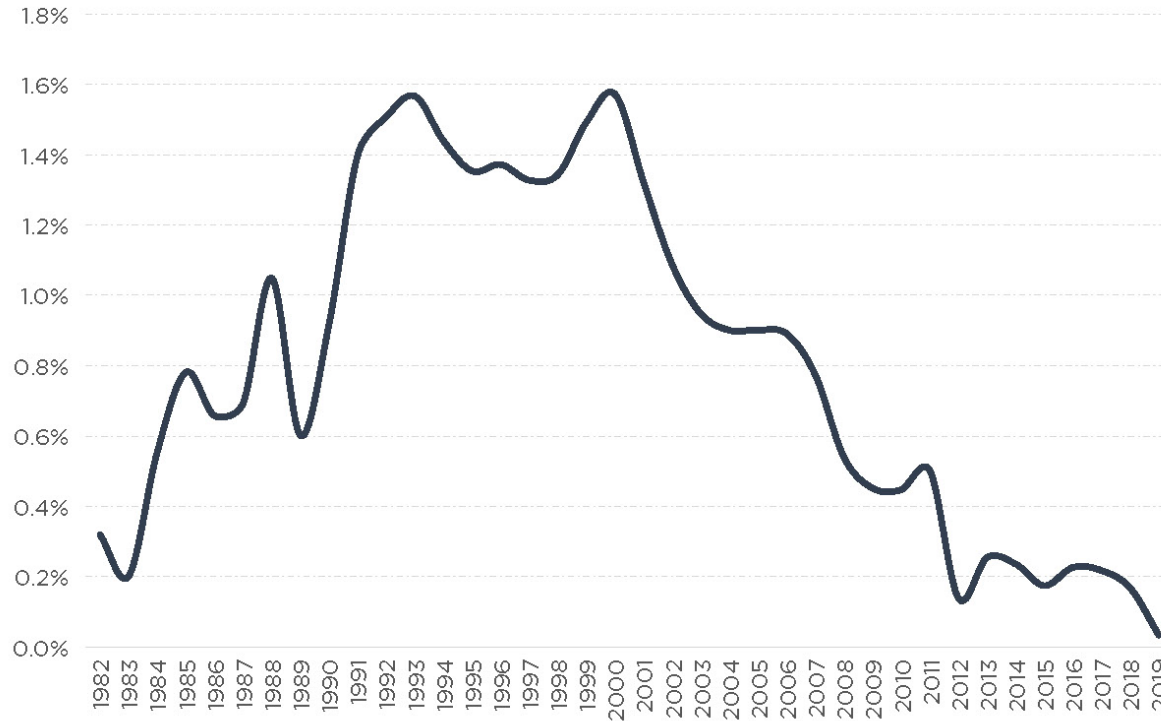
**Real GDP annual
growth rate, 2000-2022**

- **MN = 1.6**
- **U.S. = 1.9**

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Underlying population trends are constraining growth

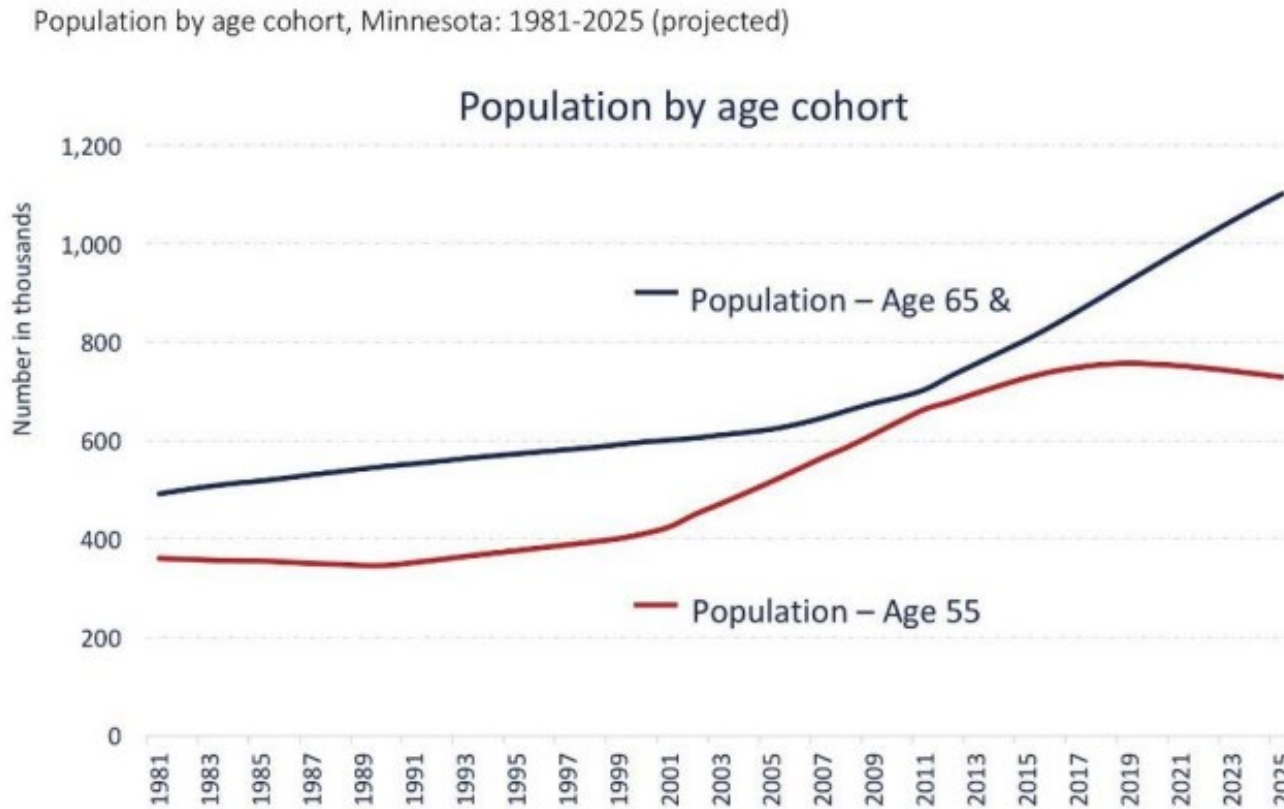
Annual percent change in core working age population (15-64 years old): Minnesota, 1982-2019



Source: IHS Markit

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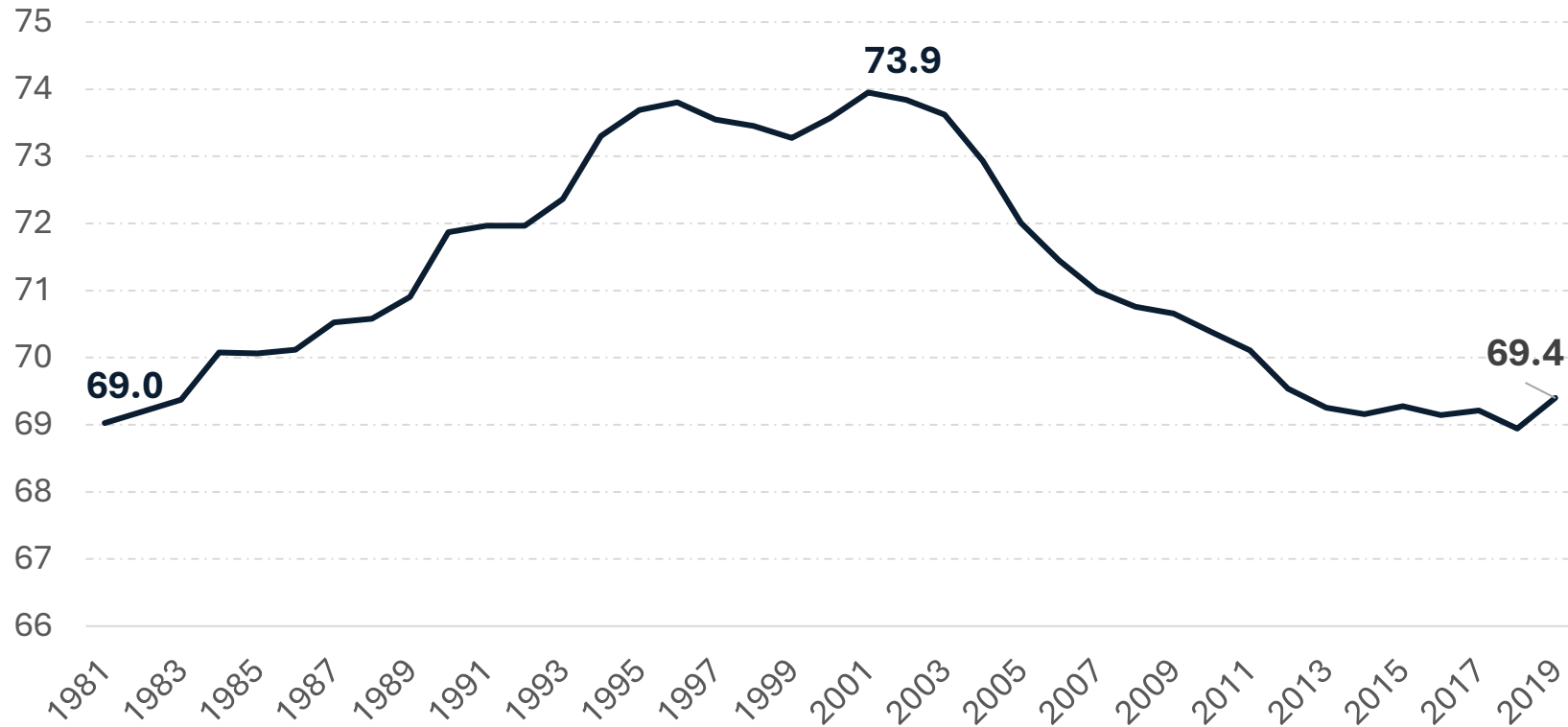
Aging population contributed to slowing labor force



Source: IHS Markit

Labor force participation rates fell as the population aged

Labor Force Participation Rate: Minnesota, 1981-2019



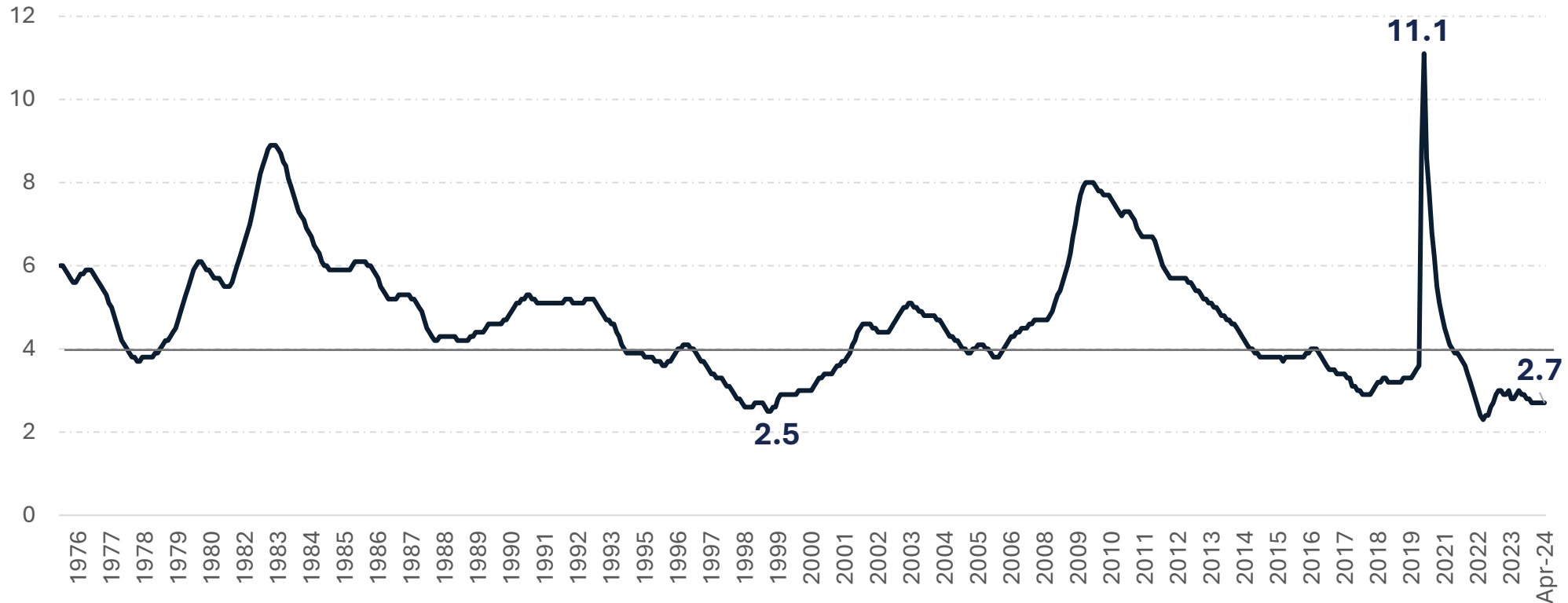
Source: IHS Markit

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**How has Minnesota's economy
performed this decade?**

Unemployment has been at historic lows this decade

*Minnesota Unemployment Rate (seasonally adjusted):
January 1976 – April 2024*



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Minnesota's economy is stable...but growing slowly

	Minnesota national rank (1 st = best)	Minnesota Midwest rank (out of 12 states)
GDP growth	36 th	7 th out of 12
Job growth	36 th	8 th out of 12
Labor force growth	40 th	10 th out of 12
Unemployment	7 th lowest in March 2024	4 th out of 12
Population growth	31 st	7 th out of 12
Net domestic migration	43 rd	10 th out of 12
Net international migration	19 th	5 th out of 12

Source: GDP and per capita income are taken from the Bureau of Economic Analysis, State GDP estimates (showing real GDP in chained 2012 dollars)

Source: Job growth, labor force growth, and unemployment rates are taken from Bureau of Labor Statistics, Current Employment Statistics and Local Area Unemployment Statistics

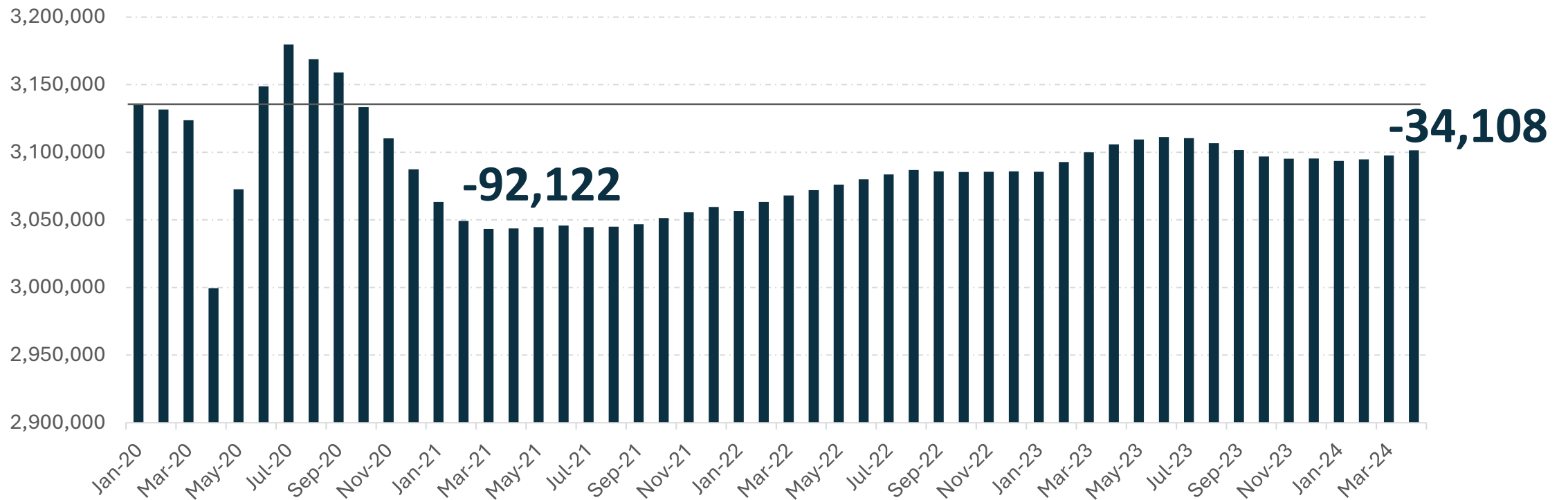
Source: Population growth and domestic and international migration statistics are taken from the U.S. Census Population Estimates 2023 Vintage series

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Total labor force fell by 92,000+ and remains nearly 38,000 below pre-pandemic levels

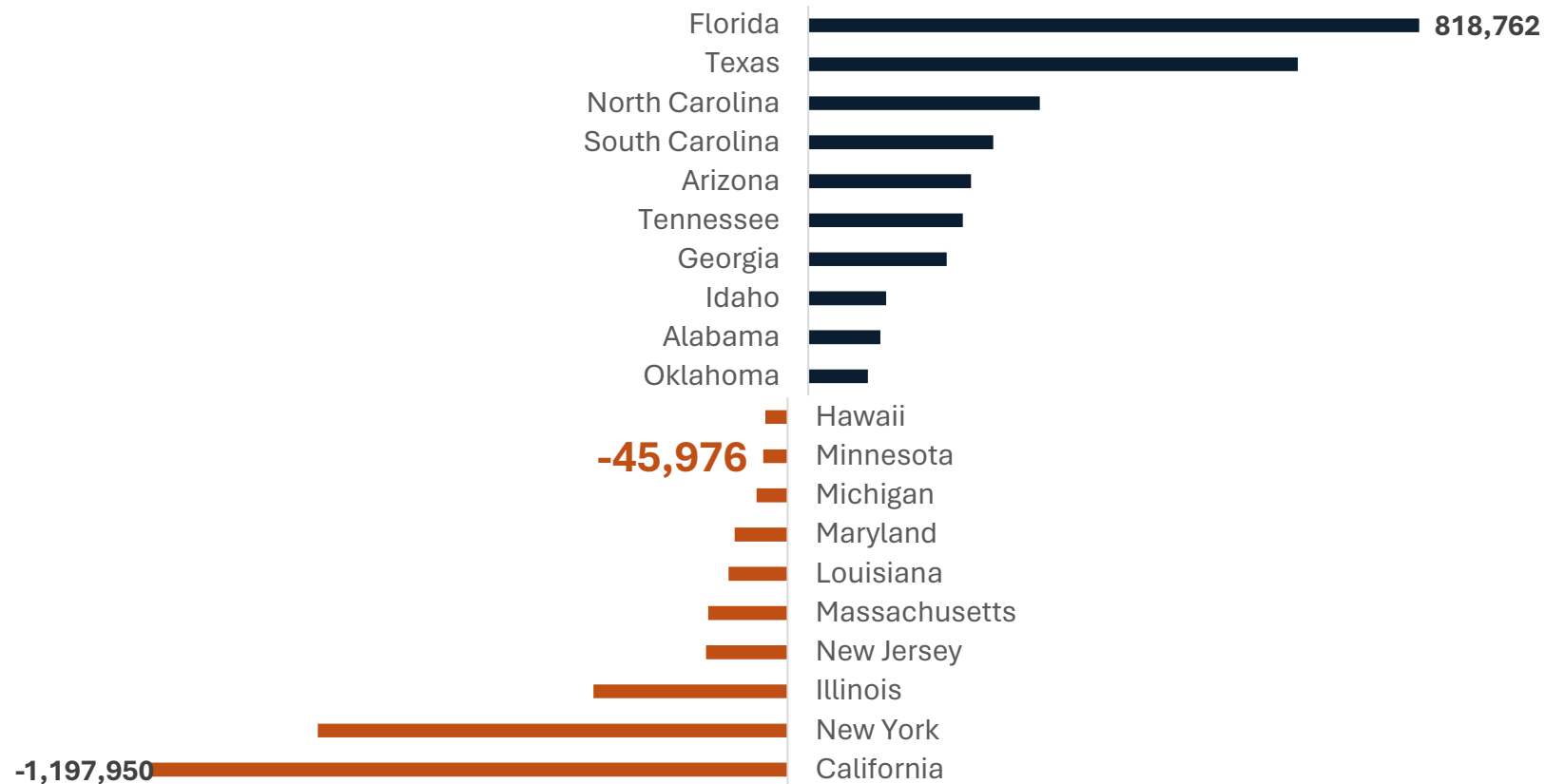
*Minnesota Total Civilian Labor Force (seasonally adjusted):
January 2020 – April 2024*



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Minnesota ranks 43rd in net domestic migration this decade

Net Domestic Migration: 2020-2023 – Top ten and bottom ten states

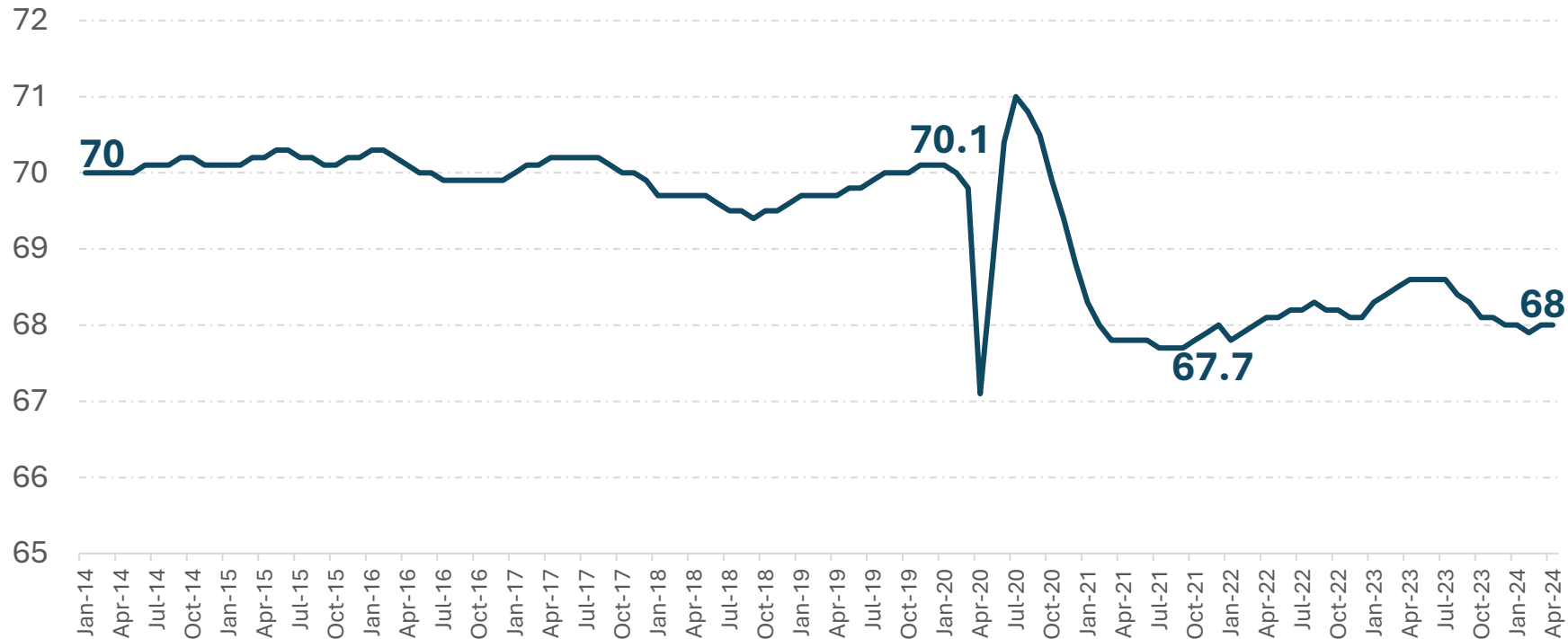


Source: Minnesota Chamber Foundation analysis of U.S. Census Population Estimates

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Labor force participation rates declined this decade

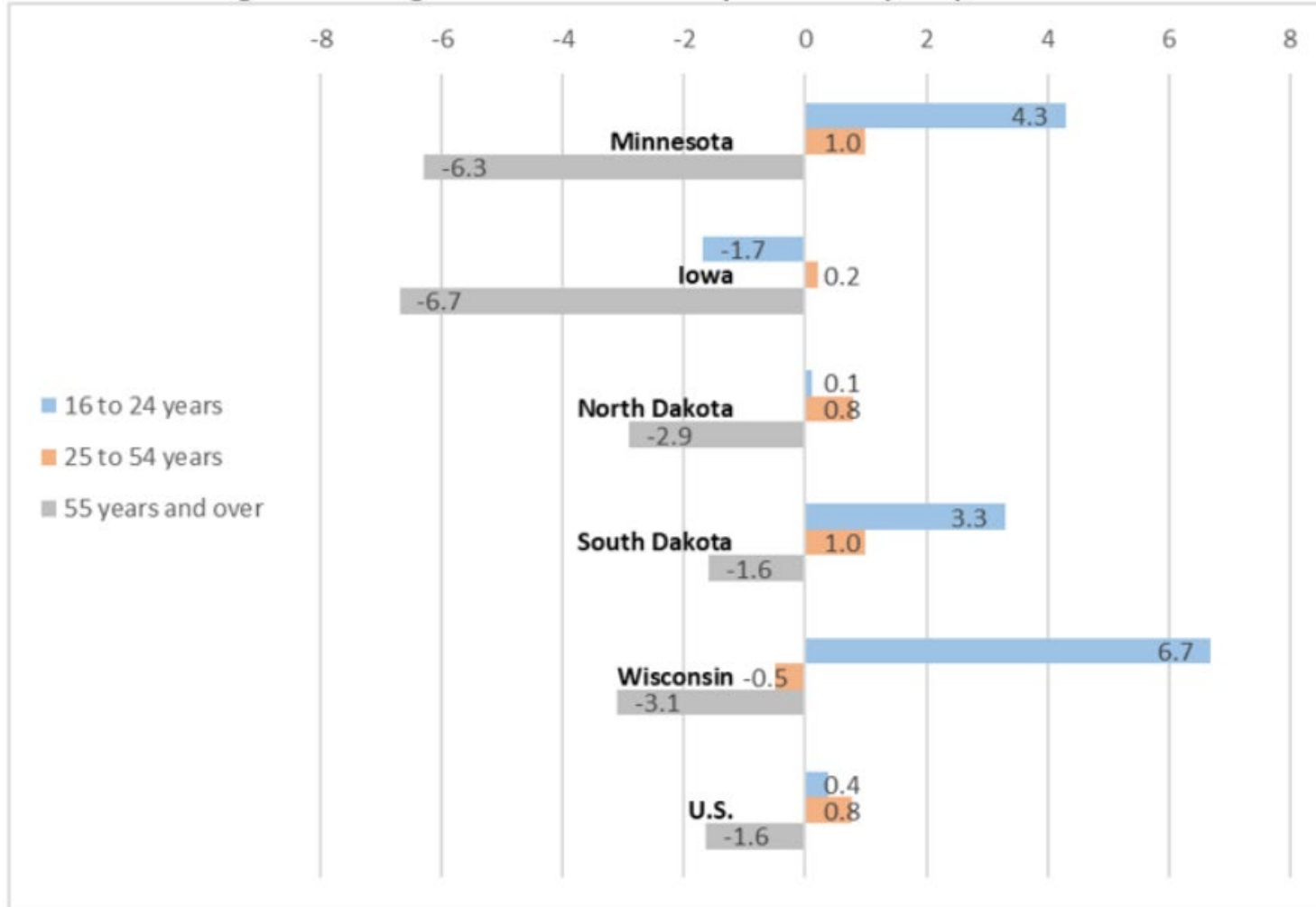
Minnesota Labor Force Participation Rate: January 2014 - April 2024



Source: Bureau of Labor Statistics, Minnesota DEED

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Figure 1: Change in Labor Force Participation Rate (LFPR), 2019 to 2023



Why isn't Minnesota's labor force growing?

1. Low population growth
2. Declining labor force participation for older adults
3. Aging population (i.e. age distribution)

Summary from A. Schaffhauser article in March 2024 Minnesota Economic Trends, DEED.

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Notes: Data from Table 1 in Katherine Abraham, Brad Hershbein, and Susan Houseman, "Contract Work at Older Ages," *National Bureau of Economic Research*, October 2019

"Independent work has long been the main source of income opportunities for retired or older workers who have moved past the "9-5" routine but remain open to transitioning to part-time or short-term work."

-- Liya Palagashvili, economist at George Mason University

Creating flexible options for engagement in the workforce

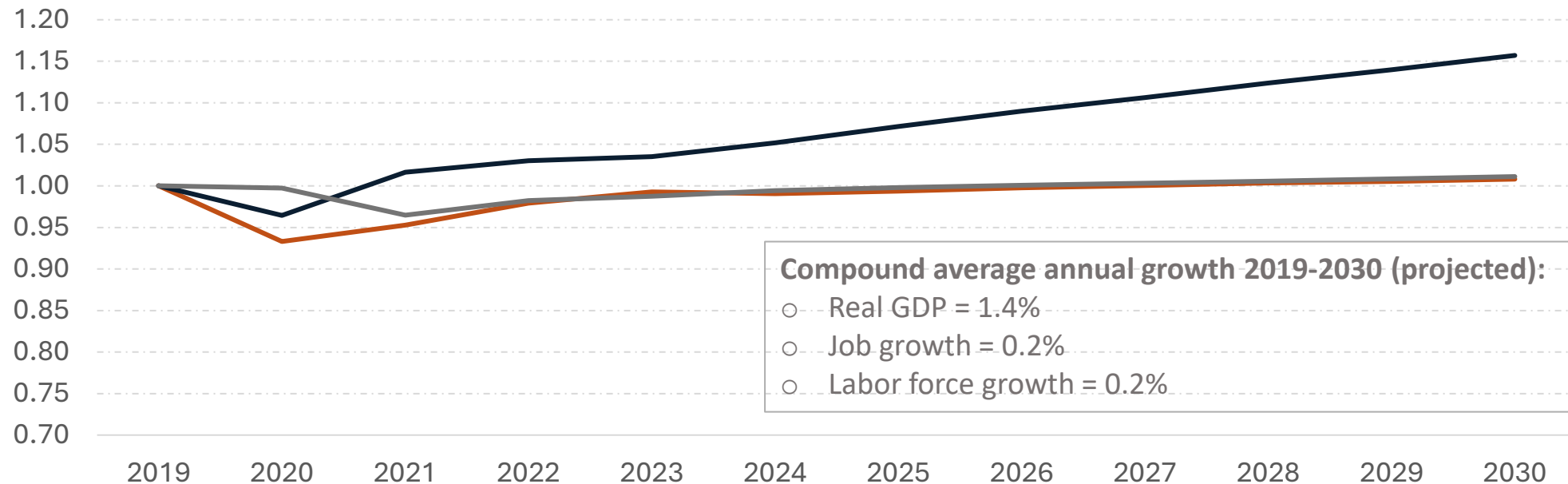
- Employers can get creative to structure job descriptions, scheduling, benefits in a way that responds to changing age demographics
- Local and state policies should provide autonomy for employers to innovate and find ways to attract/retain workers across wide age spectrum
- Self-employment opportunities should be maintained and expanded for older adults who want to earn income as they blend work and retirement

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Productivity and beating labor force projections will be key to future long-term economic growth

Minnesota economic growth forecast: Index (2019 = 1.00)

— Total Employment — Real GDP — Labor Force



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Thanks!

Questions?