But What About Tomorrow?

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Tom Gillaspy, State Demographer
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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 Economy Has Changed Since the 1960s

% of GSP

- Res Based
- Mfg Adj
- Const
- TCU
- Trade
- Services
- Financial
- Govt

2001 vs. 1963
Minnesota’s Per Capita Personal Income Exceeds the U.S. Average by 6 Percent

- 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.
Minnesota Ranks Highly in Many Social/Economic Indicators

• 2nd percent of 16-64 employed (76.9%)
• 8th lowest poverty rate
• 1st percent with health insurance 2004-06 ave
• 9th median family income in 2006
• 1st Kids Count 2007

• 4th lowest rate of disability among people age 16-64
• 1st with at least high school degree (90.7%)
• 12th with at least a bachelor’s degree
• 1st home ownership
• 1st United Health Foundation ranking of state healthiness 2006 (21% above the national norm)

Updated September 2007
Not All Minnesotans Enjoy the Same Level of Prosperity

• Regional differences exist in income, education, and health

• Racial and ethnic minorities also experience large differences in income, education and health

• Many rural areas continue to experience long term population decline
Minnesota’s Current Success Is Due to Decisions Made 50+ Years Ago

- Private sector and public sector decisions established the foundation for growth in Minnesota’s economy
- Dealing with challenges brought by the baby boom was a key to our success
- Wise investments were made
- Education has been a key contributor to the state’s success
We have come a long way. But what about tomorrow?
Past Performance Does Not Ensure Future Results
Three Mega-Forces Will Shape Minnesota’s Economy

- Demography *(Today’s Focus)*
- Globalization
- Technology
Minnesota Will See a 30 Percent Jump in Workers Turning Age 62 Beginning 2008

![Graph showing the number of workers turning age 62 who have worked within the past 5 years, with a significant increase starting from 2008.](image-url)
Aging Is the Dominant Trend in Minnesota and the Nation

• It is not normal for a society to age
• Dramatic changes are coming over the next 4 years
• Sharp increase in retirements will begin in 2008
• In 2011, the number of 65th birthdays will increase substantially
From 2010 to 2020, Minnesota Will See Large Increases Age 50s and 60s

Source: Minnesota State Demographic Center
Numbers are rounded
Minnesota’s Boom Generation Begins
Turning 65 in 2011

![Graph showing the growth of the 18-24 and 65+ age groups from 1950 to 2030.](image-url)
Labor Force Growth Is About To Slow Sharply

<table>
<thead>
<tr>
<th>Period</th>
<th>Ave Annual Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-2000</td>
<td>1.52%</td>
</tr>
<tr>
<td>2005-10</td>
<td>1.12%</td>
</tr>
<tr>
<td>2010-15</td>
<td>0.75%</td>
</tr>
<tr>
<td>2015-20</td>
<td>0.43%</td>
</tr>
<tr>
<td>2020-25</td>
<td>0.10%</td>
</tr>
<tr>
<td>2025-30</td>
<td>0.13%</td>
</tr>
<tr>
<td>2030-35</td>
<td>0.27%</td>
</tr>
</tbody>
</table>
Economic Fact of Life #1

Standard of Living depends on output per resident

Output = Output per Hour * Hours Worked
Traditional College Age Population Is Growing Now, But Soon It Will Slow, Then Decline

Census Bureau US Proj, Mn State Demographer Mn Proj
The search for talent
Why it’s getting harder to find
A 15-PAGE SPECIAL REPORT
Most Future Jobs Are Know-How, Not Know-What or Know-Why

• Transformational – creating products
• Transactional – interactions that can be easily scripted or automated
• Tacit – complex interactions requiring high levels of judgment. Know-How as opposed to Know-What or Know-Why
  – The growth sector of the economy
  – 40% of labor market, 70% of jobs created since 1998
Workforce Development Will Be Crucial To Minnesota’s Economic Future

• Number of workers
• Quality of workers
Economic Fact of Life #2

- Productivity depends on
  - The private capital stock
  - The stock of human capital
    - Education
    - Health status
  - The stock of infrastructure
  - Advancements in technology
Where Will Minnesota’s Future Talent Come From?
Migration Will Become the Largest Source of New Workers in Minnesota

Net Labor Force Growth

- Total
- Natural
- Partic. Rate
- Migration

2000-10
2010-20
2020-30
Change In Enrollment 2000-01 to 2007-08

- St. Paul: -12.0%
- Anoka: -1.6%
- Hennepin: -9.9%
- White Bear Lake: -5.8%
- North St Paul: -13.9%
- Mounds View: -2.2%
- Roseville: 0.6%
- Twin City Metro: -16%
In Roseville Schools, Grades 9-12 Are Larger Than 1-4
Minnesota Births 1990 to 2020; 2006 was highest since 1964

Job Growth Contributes To Increased Diversity

• Minnesota is one of the least diverse states in the nation—13% minority v US 32%
• Over half of total population growth this decade is minority.
• In south east Minnesota, minorities represent 16% of the population but 38% of population growth since 2000.
• And this is related to age—new, diverse population is younger
Minority Students Are Increasing While White Students Are Declining

<table>
<thead>
<tr>
<th></th>
<th>Change Enrollment 2000-01 to 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Am Indian</td>
<td>2.7%</td>
</tr>
<tr>
<td>Asian</td>
<td>13.7%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>68.0%</td>
</tr>
<tr>
<td>Black</td>
<td>34.5%</td>
</tr>
<tr>
<td>White</td>
<td>-8.4%</td>
</tr>
<tr>
<td>Total</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

Mn Dept of Education data
Students Speaking Non-English Language At Home

Source: Mn Dept of Education data, Districts of more than 500 enrollment. Roseville students speak 53 different non-English languages, the most common of which are Hmong, Spanish, Burmese, and Chinese.
The Next Generation Economy--

Long term issues are quickly becoming short term challenges

The next four years will be a period of great social and economic change

- Structural imbalances have turned into projected budget deficits
- Rapid aging and the related surge in entitlements are upon us
- Economic growth will depend increasingly on productivity growth

Once again, wise decisions are needed
Aging Of Society Will Impact Private and Public Spending

- Health care spending will increase
- Retirement concerns will affect household finances & housing choices
- Shift in government priorities to issues of aging and health
- Older voters often more fiscally conservative
- State tax base will be affected as baby boom reaches retirement age
Spending Priorities Will Change
The Three Largest Cost Drivers In The State Budget

Census counts & State Demographer projection
Phases in the Household Life Cycle

Dollars

Borrower

Saver

Dissaver

Income  Consumption

Age

20  30  40  50  60  70  80
State/Local Government’s Share of Personal Income Has Declined Slightly

Price of Government

Minnesota’s Economy Will Grow
Next 25 Years--State Revenue Growth Rate Projected To Slow

Budget Trends Commission, 2009
If State Health Care Costs Continue Their Current Trend, State Spending On Other Services Can’t Grow

General Fund Spending Outlook, presentation to the Budget Trends Commission, August 2008, Dybdal, Reitan and Broat
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.
The Most Rapidly Growing Segments Of Minnesota Are People In The Highest Health Care Cost Ages

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Change 2010-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>85+</td>
<td>-63,650</td>
</tr>
<tr>
<td>80-84</td>
<td>-42,310</td>
</tr>
<tr>
<td>75-79</td>
<td>-2,680</td>
</tr>
<tr>
<td>70-74</td>
<td>-9,980</td>
</tr>
<tr>
<td>65-69</td>
<td>-30,680</td>
</tr>
<tr>
<td>60-64</td>
<td>-2,680</td>
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<tr>
<td>55-59</td>
<td>-9,980</td>
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<tr>
<td>50-54</td>
<td>-2,680</td>
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<tr>
<td>45-49</td>
<td>-9,980</td>
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<td>40-44</td>
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<td>35-39</td>
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<td>30-34</td>
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<tr>
<td>20-24</td>
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<td>15-19</td>
<td>16,500</td>
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<td>10-14</td>
<td>8,440</td>
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<td>5-9</td>
<td>41,400</td>
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<tr>
<td>0-4</td>
<td>91,370</td>
</tr>
<tr>
<td>55-59</td>
<td>112,540</td>
</tr>
</tbody>
</table>

Source: Minnesota State Demographic Center
Numbers are rounded
Can we afford the future?
Can we afford to not afford the future?
High School Graduation Rates In Minnesota Have Drifted Downward And Are Lower For Males And Minorities

Three year averages of 10th grade graduation rate.
Education Is The Key To Productivity

Minnesota High School Graduation Ratio

American Indian: 57%
Asian: 85%
Hispanic: 60%
Black: 62%
White: 89%
Total: 85%

2 Yr Ave Rate

2004-05 through 2005-06 graduates. Based on 10th grade enrollment three years earlier.
Big Opportunities

• The current situation is not sustainable
• The challenge--building the foundation for future success
  – Economic prosperity
  – Environmental quality
  – Social justice
  – Quality of life
• Wise decisions will again be needed
How will Minnesotans 50 years from now view our generation’s stewardship?