



Susan Brower, Minnesota State Demographer

Minnesota must address trained worker shortage

A Civic Caucus Focus on Human Capital Interview

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Present

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Summary

Looking into the future, Minnesota will have a slower rate of labor-force growth than it has currently until at least 2045, according to State Demographer Susan Brower. This points to the need for a major policy focus on continued investment in human capital in the state, she says. Over the next 10 years, there will be an actual decline in labor-force members aged 16 to 64, because of the large numbers of baby boomers retiring and lower birth rates, meaning fewer younger people to replace the retirees. Historically, on net, she points out that Minnesota loses people to other states. Because of this deficit in domestic migration, Minnesota's population grows now only because of international immigration. In fact, Minnesota is stronger on international in-migration than a number of its peer states, because of our higher concentration of jobs in higher-skilled industries and our active history of refugee resettlement.

Brower notes that real GDP growth is a function of growth in three areas: (1) the working-age population, (2) labor-force utilization and (3) labor-force productivity. Perhaps, she says, we might be able to influence growth in the working-age population by doing a better job of attracting and retaining people in Minnesota. But many other states are in the same position, so the market is tight. To influence labor-force utilization growth, she believes we must come up with new ways to bring every last person in Minnesota who can and wants to work into the labor force. She asserts that the greatest potential for impacting the state's future economic trajectory is through labor-productivity growth: making things more efficiently or making things of greater value, usually done by higher-skilled and highly educated members of the workforce.

Biography

Susan Brower became the State Demographer in February 2012. In that capacity, she travels the state talking with Minnesotans about the new social and economic realities that are brought about by recent demographic shifts. Brower's work applies an understanding of demographic trends to changes in a range of areas including the state's economy and workforce, education, health, immigration and rural population changes.

She joined the State Demographic Center after working as a researcher on the Minnesota Compass project at Wilder Research in St. Paul. Prior to that, she worked at the Population Studies Center at the University of Michigan.

Brower earned her Ph.D. in sociology at the University of Michigan, specializing in demography and family sociology. She also holds a master's degree in public policy from Humphrey School of Public Affairs at the University of Minnesota.

Background

The Civic Caucus is currently focusing on the competitiveness of Minnesota's economy and workforce now and into the future and the accompanying opportunities and challenges in human capital development in the state. As part of that focus, the Civic Caucus invited State Demographer Susan Brower to address the demographic trends in Minnesota affecting the state's workforce now and into the future.

For the discussion, Brower prepared a brief document containing charts and graphs of the state's labor-force trends and projections: "Minnesota Labor Force Projections."

Discussion

The demographic changes forecast for Minnesota over the next 15 years point directly to the need for continued investment in human capital, but with careful attention to the actual occupational needs of our present and projected job landscape.

According to Susan Brower, we will see slower growth in the labor force going forward. Over the next 10 years, there will be a decline in labor force members aged 16 to 64, because of the large cohort of baby boomers moving out of workforce, she said. We may see some baby boomers staying in the workforce longer and perhaps taking on second careers in consulting after retirement. "But that's not enough to counter the massive exodus of baby boomers from the labor force," she said.

Minnesota's current labor force growth rate (for ages 16+) is 0.5 percent (from 2010 to 2015), but it is not projected to reach that level again in any five-year period through at least 2045.

Historically, on net, Minnesota loses people to other states, Brower said. Following that historic trend, this happened both from 2003 to 2010 and from 2011 through 2013. Because of this deficit in domestic migration, Minnesota's population grows now only because of births and international immigration. Immigration to Minnesota, both domestic and international, would have to increase

considerably beyond what is projected in order to maintain the current 0.5 percent growth rate through 2045, she said.

"It's difficult to say whether and how much the slower labor force growth is going to constrain job growth," she said. "It will depend on whether we are going to be able to fill the demand for workers by attracting new people to Minnesota, by training and retraining Minnesotans already living here or by realizing other gains in per-worker productivity. There are a lot of variables making it hard to put an exact number on the gap between the jobs and the workers, especially as they align in any particular occupation and region of the state. We know that we currently have a number of potential workers in Minnesota that we're not fully utilizing. Development of their skills in areas of occupational shortages needs to be an ongoing policy focus.

Real GDP growth is a function of growth in the working-age population, in labor-force utilization and in labor-force productivity.

- Brower said we might be able to influence working-age population growth by doing a better job of attracting and retaining people in Minnesota. "It remains to be seen how effective we will be at doing that, because many other states will be in the same position with aging populations and a slower growing labor forces" she said. "It's going to mean more competition for workers, especially those with high-demand skills, all around."
- She said we could have some impact on labor-force utilization growth, that is, the increase in the percentage of the working-age population in the workforce. We must look at how we can make our workplaces more accommodating so that every last person who is able to work and wants to work can do so, including parents of young children or others with caregiving duties, people with disabilities, those needing flexible schedules and those who have historically had less success in the job market.
- She believes the greatest potential for us to impact our future economic trajectory is through labor productivity growth: "making stuff more efficiently or making stuff of greater value, which is typically done by the highly skilled and highly educated part of our workforce." She said the productivity growth holds the potential for countering Minnesota's slower labor-force growth.

Brower said a study of other countries that have experienced slower labor-force growth, like Japan and Italy, suggests that the slower labor force growth in the U.S. could result in a 0.7 percent reduction in U.S. GDP per year.

The underlying demographic forces that produce a slower growing labor force are longer life expectancies and lower birth rates. In the Midwest and Northeast, those growth factors are not compensated by migration.

Our peer states in the Midwest (except North Dakota) are undergoing this transition, Brower said. A lower birth rate is common to the whole U.S., causing a new overall rate of growth that we're not used to. She pointed out that the Southwest is in a very different position and that the situation in North Dakota has changed in recent years due to the oil boom there.

International immigration

The U.S. is experiencing more international in-migration than other countries.

Brower said that because of sizable in-migration, the projected 0.7 percent reduction per year in U.S. GDP due to slower labor-force growth is lower than it would otherwise be.

One reason our state's international in-migration is stronger, she said, is that we have a slightly higher concentration of jobs in higher-skilled industries. She pointed out that Rochester is one of the top metro areas in the country in terms of pulling in people on H1-B visas. A second reason for the strong in-migration is Minnesota's active history of refugee resettlement.

The percentage of Minnesotans 25 and over with a bachelor's degree or higher is highest among those of Asian non-Hispanic ancestry.

Brower said these figures include people who are foreign-born, as well as those who've been here for several generations. Among Asian non-Hispanic Minnesotans, 46.3 percent have a bachelor's degree or higher, compared with 33.5 percent of white non-Hispanic Minnesotans, 20.1 percent of black non-Hispanic Minnesotans and 9.0 percent of American Indian Minnesotans. Asian Indian non-Hispanic Minnesotans have the highest percentage of people with a bachelor's degree or higher, 88.6 percent. Brower pointed out that the Asian Indian population in Minnesota is nearing the size of the state's Hmong population.

After their first 10 years in the U.S., the percentage of foreign-born Minnesotans who are working is comparable to the percentage of Minnesotans born in the U.S.

International immigration bolstered Minnesota's labor force growth in the 2000s.

Brower said immigration will be important to the growth of the labor force and population growth in the future, because by about 2040, the number of deaths in our population is projected to surpass the number of births. "At that point we'll really need to be importing Minnesotans in order to grow," she said.

Educational attainment of Minnesotans of Asian ancestry tends to be lower for groups who arrived in Minnesota as refugees, compared with people who were recruited here for their skills.

Brower said many people recruited for their skills are on temporary H1-B visas.

The largest proportion by far of foreign-born Minnesota residents lives in the Twin Cities metro area, with high concentrations in places like Brooklyn Park.

Brower pointed out that in Greater Minnesota there are pockets of concentration of immigrants, sometimes driven by agriculture and by food-processing businesses, and sometimes by high-skilled jobs such as doctors and other STEM workers.

Domestic migration

As young adults, people who move across state lines tend to do so for job opportunities.

This especially true for those who are highly-educated and highly-skilled. At the lower end of the skills spectrum, young people move for jobs as well, although in their case it may be for any number of jobs that may be waiting for them, rather than for any particular job offer.

Minnesota has a fairly consistent pattern, on net, of gaining people in their younger working years and losing people once they reach their 50s.

Brower said this has been consistent for at least 30 years. The states receiving the most older Minnesota out-migrants include warm states, like California, Texas, Arizona and Florida, and other neighboring Midwestern states, like Wisconsin.

Brower said our domestic in-migration depends both on how much demand we have for labor and on our weather. "Our well-being is going to rest on the quality of the jobs we have," she said. But she also pointed out that Minnesota, unlike fast-growing states like California and Arizona, has abundant water. "The fastest-growing states," she said, "have the lowest water resources, which will be a growing challenge for them in the years to come."

We're going to need to continue to attract people to the state both domestically and internationally in order to continue to grow.

In response to an interviewer's question about whether Minnesota should take a position on immigration in general and on H1-B visas in particular, Brower said immigration is typically a national issue and very few states have taken their own policy stance on immigration. However, the state, including private, private and non-profit organizations can do things to make the state more or less attractive to would-be movers.

Minnesota's Department of Employment and Economic Development (DEED) has projected growth in jobs at both ends of the skills distribution.

Brower said the projections show jobs in retail sales and food service growing quickly, as well as higher-skilled jobs, such as those in IT and health care. The two ends of the job-skill spectrum are projected to grow more quickly than anything in the middle.

Barriers to employment can vary across sub-groups of Minnesotans.

Brower said, for example, there are measurable barriers for young males with a criminal history. Those are very different from the barriers that new arrivals to the U.S. may face, especially those without a formal education who must learn to navigate our education systems. Or the more subtle, but nonetheless real barriers, of structures and networks that have historically benefited white Minnesotans above other groups.

We need to utilize every last potential worker that we can, whether it's people who aren't able to be in the labor force now, or whether it's people already in the workforce, but without the skills for the jobs we have or that are emerging. "We're not going to be able to leave people behind," she said.

Conclusion

Brower said people have begun to focus attention on the projected gap between jobs and workers. She argued that no matter how closely the number of jobs and workers align in the coming years, the fact that we will have slower labor-force growth points to the need for investment in human capital in Minnesota, smartly aligned with the occupational needs of Minnesota's economy. An interviewer commented that where and how we make that investment are critical.