IMMIGRANTS AND MINNESOTA’S WORKFORCE: EXECUTIVE SUMMARY

Like much of the U.S., Minnesota faces profound demographic changes related to the aging and the simultaneous growth in the racial and ethnic diversity of its population. Together, these changes create opportunities and challenges for the Minnesota economy and society. As the Baby Boomer generation exits the labor force, how successful will younger generations of workers be in filling these jobs and helping to maintain vibrant economic growth in the state? How well positioned are immigrants and the children of immigrants, who comprise a significant proportion of the Minnesota workforce already and are poised to become an even greater percentage in the future, to contribute to the economic vitality of the state? Is there a gap between Minnesota’s projected workforce and the workforce that will be necessary to ensure robust economic growth in the state? The purpose of this report is to describe a range of important factors in understanding the demographic changes underway in Minnesota, with particular attention to evolving trends related to immigrants and refugees, and what role these changes will have on the state’s workforce.

A focus on Minnesota’s labor force is important because the change in size of the labor force is one of four components of economic growth identified by economists that has explained about 25 percent of economic growth in the U.S. in the past 45 years. On a national level, labor force growth is unlikely to approach recent pace of growth because of aging Baby Boomers, a plateauing of female labor force participation and slowing immigration to the U.S. Of these factors, the rate of immigration is most malleable, since changes to immigration policy could increase immigration substantially. However, the debate on how to change immigration policy has become so intractable in Congress that it is difficult to see how it is possible for the size of the immigrant population in the U.S. to increase dramatically in the near future. Instead, states will likely compete over a limited pool of immigrants and domestic migrants to increase the size of their workforces and encourage economic growth. Minnesota’s success at attracting immigrants to the state and more effectively incorporating these immigrants into its workforce will play an important role in determining the strength of its economy in the future.

1 The other three components of economic growth are the quality of the workforce, typically measured by the education and skills of workers, capital deepening (i.e., the efficiency of equipment used by workers) and innovations in the economy that lead to smarter ways of using capital and labor to produce goods and services (called Total Factor Productivity by economists). For more on this topic see: Rebecca M. Blank. 2016. “What Drives American Competitiveness?” Annals of the American Academy of Political and Social Science 663:8-30.
This report describes six broad themes related to population change and the workforce of Minnesota.

1. **In the coming decades, the population of Minnesota will likely grow at a pace that is significantly slower than growth rates from previous years.** The projected average annual growth rate of Minnesota’s population starting in the 2030s is about one-quarter as big as the average annual growth rate of the state’s population in the 1990s.

2. **The population of Minnesota will grow older and more racially diverse in the future, but these changes in the population will not be equally distributed around the state.** In 2015 about one in six Minnesota residents was aged 65 years or older, but by 2045 about one in five of the state’s residents will be 65 years or older. In 2015, almost one in five of Minnesota’s residents was a racial or ethnic minority, but by 2035 one in four of the state’s residents will be a racial minority. Generally, Northern Minnesota will be older and less racially and ethnically diverse than Southern Minnesota in the future.

3. **It is probable that Minnesota will be dependent upon immigrants for future population growth.** Population growth in Minnesota that is a result of more births than deaths will slow considerably in the future and may eventually become negative. During the last decade, without immigration to Minnesota more people would have left the state each year than arrived in the state. In short, population projections and historical migration trends indicate that for the foreseeable future population growth in Minnesota will be dependent on international migration.

4. **The proportion of the foreign born in Minnesota’s population has changed dramatically over time, and currently represents a variety of racial and ethnic groups with varied human capital backgrounds.** Few states had a higher proportion of immigrants in their populations early in the 20th century than Minnesota, but today the state lags the U.S. in the proportion of its population that is foreign born. In keeping with longer term demographic trends in the state’s foreign born population, in 2015 Minnesota’s immigrant population was dominated by immigrants who were racially and ethnically categorized as Asian, African-American and Hispanic. Immigrants in Minnesota also tend to be disproportionately clustered as either low skilled (lacking a high school degree) or highly skilled (possessing a graduate or professional degree).

5. **Projected population changes in Minnesota will likely result in a substantial increase in the immigrant population in the state in the future, but the proportion of immigrants in Minnesota’s population will almost certainly lag the proportion of immigrants in the U.S. population by a significant margin.** Projections indicate that the number of immigrants living in the U.S. may increase from about 43 million in 2015 to 78 million in 2060, resulting in an increase in the proportion of immigrants from 13.5 percent to 18.8 percent. Projections calculated for this report suggest that the foreign born population in Minnesota may more than double from about 428,000 in 2014 to almost 870,000 in 2060, increasing the immigrant population from about 7.8 percent in 2014 to around 13.2 percent in 2060.

6. **Without a substantial increase of migration to Minnesota in the future, the state’s labor force will likely grow much slower than it has in recent years. This will make filling job vacancies more challenging in the future.** In order to maintain the current average annual 0.5 percent growth rate of the labor force in Minnesota, the state will need to attract about four and a half times the current number of people who move to the state. Given that the prevailing trend of net migration to Minnesota is wholly comprised of international migration, it is likely that any additional migrants that the state attracts in the future will be disproportionately foreign born.
To develop these themes the report mostly uses existing analyses or projections of demographic and workforce data by the Minnesota State Demographic Center and the Minnesota Department of Employment and Economic Development (DEED). Where possible and appropriate, this report provides regional or county-level geographic detail in Minnesota to discern how different parts of the state vary in the challenges and opportunities present for the workforce now and in the future. The report also draws upon data from the U.S. Census Bureau to make a new projection of the foreign born population in Minnesota in the future. When reading this report, it is important to understand that these sorts of projections are typically built on assumptions that current trends in how the demographic composition and workforce in Minnesota are changing will continue into the future. While these projections represent the best predictions available for future changes to the demographic composition and workforce of the state, they are speculative and are sensitive to changes in the political and economic context of Minnesota and the U.S. overall.

Ultimately, the intent of this report is to inform stakeholders at the University of Minnesota, elected officials, government officials, advocacy groups, and private and philanthropic actors about the nature of the challenges facing Minnesota’s future labor force and the role of immigrants and refugees in helping to address these challenges. The report concludes with descriptions of promising avenues for cross sector engagement that could result in new programs and approaches to preserve and promote the competitiveness of Minnesota’s future workforce.

**Immigrants** are individuals who live in a country that is not their country of birth. Immigrants can be citizens or non-citizens of their country of residence. The term refugee offers a meaningful distinction from other types of immigrants for at least two reasons. First, refugees are granted a distinct “refugee” status based on a well-founded fear of persecution in their countries of origin and may have specialized needs as a result. A limited number of individuals are invited to resettle in the US with this status after a U.S. government refugee determination and security screening process prior to arrival in the US. Second, people with refugee status can typically access a broader and deeper range of publicly provided services and benefits than other classifications of immigrants. Generally speaking, the government has a greater formal capacity to impact the lives of refugees than other immigrants. Minnesota is somewhat unique in the U.S. because as much as one-third of recent immigrants living in the state came to the U.S. as refugees (compared to approximately 12 percent in the U.S. overall).

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REPORT APPENDICES
Report and appendices available for download at z.umn.edu/immigrantworkforce.

Appendix A: Case Studies of Immigrant Integration in Minnesota.

Appendix B: A Review of Literature on Immigrant Incorporation in the Workforce.