IMMIGRANTS AND MINNESOTA’S WORKFORCE

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Commissioned by The Committee on Minnesota Workforce and Immigrants and University of Minnesota Office of the Vice President for Research

Submitted by:
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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.
PREFACE

The size of the labor force is a key component of economic growth. The aging out of the Baby Boomer generation from the workforce along with the slowing fertility rate in the U.S. will yield significant constraints on the size of the future labor force. In Minnesota, the projected average annual population growth rate will slow by 2030 to one-quarter of the annual population growth rate of the 1990s. Minnesota's population is also expected to trend older, making filling job vacancies more challenging in the future.

In early 2016, I was proud to bring together a diverse group of stakeholders from the state, the University, and the private sector in order to discuss the current and future role of international immigration in meeting the needs of Minnesota's workforce. The Committee on Minnesota Workforce and Immigrants has provided an important venue for discussion and exchange regarding Minnesota’s economic needs, and Humphrey School of Public Affairs Dean Eric Schwartz and Maura Donovan, Executive Director of the University’s Office of Economic Development (UED), have provided leadership for its work.

In order to ensure a well-researched foundation for identifying and prioritizing initiatives that promote the economic integration of Minnesota’s immigrant workforce, the committee commissioned Humphrey School of Public Affairs Associate Professor Ryan Allen to author this report. UED, which is part of the department I lead, provided direction and funding for the report as part of its work to connect the University’s research enterprise to Minnesota’s communities and its economy. Staff from the Minnesota State Demographic Center and the Department of Employment and Economic Development (DEED) Labor Market Information Office graciously reviewed the report to ensure accuracy.

Our hope is that this report will help inform stakeholders across Minnesota about the challenges facing Minnesota in terms of its future workforce as well as how immigrants might participate to preserve and promote competitiveness of Minnesota's workforce of the future.

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ABOUT THE AUTHOR

Ryan Allen is an associate professor of community and economic development at the Humphrey School of Public Affairs at the University of Minnesota, where he directs the Urban and Regional Planning program. He was commissioned to research and author this report by the Committee on Minnesota Workforce and Immigrants.

Prof. Allen’s research interests focus on housing and community development issues. In particular, he investigates the effect of economic shocks, such as the recent housing crisis and recession, on various facets of neighborhoods and community life in the United States. Allen focuses much of his research and teaching on the experience of immigrants in cities and suburbs of the United States. His practical research approach to these topics draws upon the strengths of multiple disciplines, including sociology, economics, and political science, and takes advantage of quantitative and qualitative research methods.

Prof. Allen is an affiliated faculty member with both University of Minnesota Extension and the Minnesota Population Center.

He holds a doctorate in Urban Studies and a Master of City Planning from the Massachusetts Institute of Technology, and a BA in Economics (Phi Beta Kappa, Cum Laude) from the College of William and Mary. Prof. Allen will be on a sabbatical leave at the University of New South Wales in Sydney, Australia from January through June 2017.
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.

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).

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 entities 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.
Theme #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 overall population of Minnesota is likely to grow at a moderate pace between 2015 and 2045. According to population projections from the Minnesota State Demographer’s Office, the population of Minnesota will increase from 5.5 million residents in 2015 to 6.3 million residents in 2045, representing a growth rate of 14.1 percent. In comparison, population projections from the U.S. Census Bureau indicate that the U.S. population will increase by 21.2 percent over the same period.

Compared to the relatively robust population growth that the state experienced at the end of the 20th century, Minnesota’s annual population growth will probably slow considerably in the future.

- The average annual population growth rate for Minnesota in the 1990s was nearly 1.3 percent, compared to 1.2 percent for the U.S. overall.
- In the first decade of the 21st century (2000-2009) the average annual population growth rate for Minnesota slowed to about 1 percent.
- Population projections from the Minnesota State Demographer’s Office indicate that the average annual population growth rate in the 2020s will slow further to about 0.5 percent.
- The same population projections suggest that the average annual population growth rate for the state could decrease to around 0.3 percent in subsequent decades.

Minnesota’s future population growth will likely be distributed around the state such that counties in and around urban areas grow at a faster rate than counties located in rural parts of the state. As Map 1 shows, counties with the slowest projected population growth rates in the next 30 years are located in the northeastern quadrant of the state. In contrast, the counties with the fastest projected population growth rates are located around the Twin Cities in central Minnesota on the eastern side of the state, and around Rochester in the southeastern part of the state.

Map 1: Projected Change in Minnesota’s Population, by County (2015-2045)

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2 Minnesota Population Projections by Age and Gender, 2015-2065, Minnesota State Demographic Center, August 2015.
Theme #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.

It has become common knowledge in the U.S. that the country’s population is growing older and more racially diverse. About 15 percent of the total U.S. population was aged 65 years or older in 2015, but, according to projections by the U.S. Census Bureau, by the year 2045 nearly 22 percent of the total U.S. population will be aged 65 years or older. The U.S. Census Bureau projects that about 38 percent of the total U.S. population was a racial or ethnic minority in 2015, but that this figure will increase to nearly 47 percent in 2035.

Minnesota will experience similar shifts in its population. The Minnesota State Demographer’s Office has documented that 14.7 percent of the total state population was aged 65 years or older in 2015 and has projected that this proportion will increase to over 21 percent by 2045. Data indicate that in 2015 almost 19 percent of Minnesota’s population was a racial or ethnic minority and projections indicate that this proportion will increase to about 25 percent in 2035.

Focusing only on the projected changes to the Minnesota state population overall masks important differences in the population projections across the state. In 2015, nearly half of Minnesota’s 87 counties had 20 percent or more of their populations aged 65 years or older. By 2045, all counties are likely to have more than 20 percent of their populations aged 65 years or older. In fact, 72 of Minnesota’s counties are projected to have at least 25 percent of their populations aged 65 years or older by 2045. In contrast, in 2015 only nine Minnesota counties had at least 25 percent of its population aged 65 years or older. As Map 2 indicates, the counties with the largest projected proportions of residents aged 65 years or older will be located in the northeastern quadrant of the state, while the counties with the smallest projected proportions of residents aged 65 years or older will be located in central Minnesota and the southeastern part of the state.

Map 2: Proportion of Minnesota’s Population Aged 65 Years or Older, by County (2015 & 2045)

Data Source: MN State Demographer’s Office
Map Created Sep 2016
Differences in the state by projected racial and ethnic diversity are also pronounced. As Map 3 shows, in 2015, with the exception of the Headwaters region with its large American Indian population, all of the regions in Minnesota where at least 10 percent of the population was a racial or ethnic minority were located in the southern part of the state. By 2035 population projections indicate that all regions in Minnesota will become more racially and ethnically diverse, but the most racially and ethnically diverse regions will still be predominately located in the southern part of the state. Notably, the regions in Southern Minnesota will also have faster rates of growth among their minority populations than regions in Northern Minnesota. Between 2015 and 2035, the proportion of the population that is non-white, non-Hispanic will increase by at least 50 percent for most of the regions in Southern Minnesota. Over the same time period, the increase in the non-white, non-Hispanic portion of the population will register only 25 percent in the Arrowhead region, but moderately faster (around 40 percent) for most other regions located in Northern Minnesota.

Map 3: Proportion of People of Color in Minnesota’s Population, by County (2015 & 2035)

While Minnesota closely resembles the U.S. overall in the proportion of people who are elderly and will continue to do so in the future, the proportion of Minnesota’s population that is a racial minority is poised to increase dramatically in the next 20 years due to fertility trends in the population and continuing immigration to the state. While the state’s population will become considerably more racially diverse in the future, Minnesota is significantly less racially and ethnically diverse than the U.S. now and will remain so in the future. To put this in perspective, by 2045 about one in five residents in both the U.S. and Minnesota will be aged over 65. In 2035, almost one in two residents of the U.S. will be a racial or ethnic minority, but only one in four residents of Minnesota will be a racial or ethnic minority.
Theme #3: It is probable that Minnesota will be dependent upon immigrants for future population growth.

Focusing only on projected population growth in Minnesota obscures what kinds of population change will contribute to future population growth. In general, demographers focus on three key aspects of population change when projecting population growth: births, deaths and migration. Together, the first two aspects of population change create what is known as the “natural change” in a population, where births minus deaths equal natural change. As multiple reports by the Minnesota State Demographer’s Office have pointed out, the rate of births and the rate of deaths in a population change very slowly and are not especially sensitive to changes in government policy or economic conditions. On the other hand, migration can change dramatically depending upon government policies and economic conditions. Therefore, of the three components of population change that determine the projected population growth in Minnesota, migration is the component we should assume is most variable and dependent upon future government policy and private sector actions.

Chart 1 illustrates the components of projected population growth in Minnesota between 2015 and 2070, based on calculations by the Minnesota State Demographic Center. To make the interpretation of the chart easier, births and deaths have been combined to create the natural change in population. The chart indicates that around the year 2040 the number of deaths in the state will surpass the number of births and the natural change in population will be negative. Population projections suggest that this trend of negative natural change will continue through the year 2070 and presumably beyond, with the rate of natural change decreasing until around the year 2045 when it stabilizes at between -3,000 and -5,000 people per year. On the other hand, the annual change in population due to migration to Minnesota will likely remain relatively constant at about 10,000 people per year until around 2030 when the rate of migration will begin to increase. By 2050 the rate of migration to Minnesota is projected to be around 25,000 people per year. Population projections suggest that the rate of migration to Minnesota will remain at this level for the next 20 years, though there will be a slight decrease in the rate over this period.

Chart 1: Projected Annual Population Change in Minnesota, 2015-2070

Note: Author calculations based on data from Minnesota State Demographic Center, Minnesota Population Projections (2015-2070), August 2015

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4 Minnesota State Demographic Center, In the Shadow of Boomers: Minnesota’s Labor Force Outlook, December 2013; Minnesota State Demographic Center, Minnesota on the Move: Migration Patterns and Implications, January 2015.
The official projections of migration to Minnesota do not distinguish between migration of people to Minnesota from other states (domestic migration) and migration of immigrants to Minnesota (international migration), but a review of historical data, illustrated in Chart 2, indicates that international migration has dominated domestic migration in recent years. Based on historical population estimates from the U.S. Census Bureau, the Minnesota State Demographer’s Office has calculated annual net migration to Minnesota by examining both net international (amount of people moving to the state from abroad) and net domestic migration (number of people moving to Minnesota from other states minus the number of people leaving Minnesota for other states) to the state between 1991 and 2014. These calculations indicate two distinct periods in recent migration to Minnesota. Between 1991 and 2001 net international and net domestic migration were both positive, with net international migration surpassing net domestic migration in most years. In contrast, between 2002 and 2014 domestic net migration to Minnesota was consistently negative, while international net migration was consistently positive and offset domestic migration population losses. Net migration to Minnesota remained positive between 2002 and 2014 despite substantial losses of its population to other states in the U.S.

Chart 2: Minnesota’s Net Migration by International and Domestic Components, 1991-2014

Note: Adapted from “Figure 4: Minnesota’s Net Migration, by International and Domestic Components, 1991-2014,” in Minnesota on the Move: Migration Patterns and Implications, Minnesota State Demographic Center, January 2015. All data are from the Population Estimates Program at the U.S. Census Bureau, except for interpolated data for 2009-2010.

Given recent trends related to net domestic and net international migration to Minnesota, it seems likely that the vast majority, if not all, of the projected net migration to the state in the decades to come will be attributable to net international migration. In fact, if recent trends continue, we should expect that international migration to Minnesota will more than offset population losses due to domestic migration and negative natural
change in the state’s population. In short, population projections and historical migration trends indicate that for the foreseeable future population growth in Minnesota due to new residents moving to the state will be heavily dependent on international migration.

Theme #4: The proportion of the foreign born in Minnesota’s population has changed dramatically over time, but currently represents a variety of racial and ethnic groups with varied human capital backgrounds.

The proportion of Minnesota’s population that is foreign born today is considerably lower than the proportion of the U.S. population that is foreign born, but historically this was not always the case. Chart 3 shows how the foreign born populations of Minnesota, the Midwest and the U.S. compare over time. From 1850 to 1950, Minnesota actually had a larger proportion of its population that was foreign born than the Midwest of the U.S. and in most years the difference was substantial. For example, in 1890, at the height of the wave of European immigration to the U.S., almost 36 percent of Minnesota’s population was foreign born compared to only 18 percent of the Midwest and about 15 percent of the U.S. overall. Thus, at the turn of the 20th century Minnesota was teeming with a larger proportion of immigrants than almost every other state in the U.S.

As the chart indicates this trend did not continue. The percentage of immigrants in Minnesota’s population dropped precipitously beginning in 1900 and though the immigrant population began to recover in the state in 1970, the proportion of the state’s population that was foreign born has lagged behind that of the U.S. since 1960. In contrast, in recent decades the proportion of Minnesota’s population that is foreign born has closely tracked that of the Midwest.

Chart 3: Foreign Born Population in the United States and Minnesota, 1850-2010

According to American Community Survey Data, in 2015 about 8.3 percent of Minnesota’s population was foreign born compared to 13.5 percent of the U.S. population. Minnesota’s foreign born population represents a variety of racial and ethnic groups, and in aggregate about 83 percent of the foreign born population is a racial or ethnic minority. An important difference between the foreign born populations in Minnesota and the U.S. is the proportion of the foreign born that are African-Americans and Asians.

- In Minnesota about 22 percent of immigrants are African-Americans (compared to only four percent in the native born population), while in the U.S. only nine percent of immigrants are African-Americans (compared to 13 percent of the native born population).\(^5\)
- In Minnesota about 36 percent of immigrants are Asians (compared to only two percent of the native born population), while in the U.S. 27 percent of immigrants are Asian (compared to two percent of the native born population).
- African-Americans and Asians dominate the foreign born population in Minnesota relative to the foreign born population in the U.S., whereas the proportion of immigrants in Minnesota that are Hispanic is only half the proportion of immigrants in the U.S. that are Hispanic. Specifically, about 23 percent of immigrants in Minnesota are Hispanic, compared to about 45 percent of immigrants in the U.S.

Overall, immigrants in Minnesota are very engaged in the workforce, but they earn less than native born residents at least partly because such a large proportion lack educational backgrounds that would allow them to access good paying jobs in the state. Similar to a trend in the U.S. overall, educational attainment in the foreign born population in Minnesota tends to be split between the lowest and highest levels of educational attainment. For the foreign born population aged 25 years or older in Minnesota, over one-quarter lack a high school degree but about 33 percent hold at least a bachelor’s degree. In comparison, among the native born population aged 25 years or older in Minnesota, only 5.2 percent lack a high school degree and about 35 percent hold at least a bachelor’s degree. In Minnesota, a higher proportion of foreign born residents (72 percent) are in the labor force than native born residents (70 percent), but foreign born workers tend to earn substantially less than their native born counterparts. For example, 2015 median earnings for foreign born males was about $41,300 per year compared to $52,600 per year for native born males. Foreign born females experienced a slightly lower median earnings gap compared to native born females ($35,700 vs. $42,500).

One aspect of Minnesota’s foreign born population that sets it apart from many other states is the large number of refugees that have resettled in the state relative to the total immigrant population. The U.S. Census Bureau does not collect data on the type of visa that immigrants used to enter the U.S., so it is difficult to use Census Bureau data to estimate the number of refugees in Minnesota’s foreign born population. Therefore it is unclear exactly what proportion of the 430,000 immigrants living in Minnesota as of 2014 came to the U.S. as a refugee. Since 1980, when the refugee resettlement program as we know it today began, over 100,000 refugees have been resettled in Minnesota, not including refugees who were resettled in a different state and subsequently moved to Minnesota as a secondary migrant. As Chart 4 illustrates, the resettlement of refugees in Minnesota has fluctuated over time, as dictated by the timing of humanitarian crises abroad, such that Minnesota has received as few as 1,000 and as many as 7,000 resettled refugees annually between 1979 and 2015. On average, Minnesota has received about 2,800 resettled refugees annually over this time period. In the last five years, Minnesota has received an average of only 2,200 resettled refugees annually. Thus, as demonstrated by the peaks of refugees that have come to the state in years past, the resettlement infrastructure in Minnesota has the capacity to resettle more refugees than have come to the state recently.

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\(^5\) Immigrants and refugees from Sub-Saharan Africa are typically assigned a racial categorization of “African-American” in data from the U.S. Census Bureau.
Understanding the true flow of refugees to Minnesota is incomplete without examining secondary migration of refugees to the state. While secondary migration of refugees is more difficult to track in comparison to data on primary resettlement for refugees, the best estimates of secondary migration to Minnesota come from the Minnesota Department of Human Services Resettlement Programs Office. These estimates suggest that between 2011 and 2015 an average of 2,400 secondary migrants came to Minnesota each year. In other words, during the past five years secondary migration of refugees to Minnesota has been of comparable size to the number of resettled refugees coming directly to the state.

While the refugee population in Minnesota represents a large variety of countries of origin, refugees resettling in the state between 1979 and 2015 disproportionately came from Laos (26 percent), Somalia (21 percent), Vietnam (15 percent), and the former Soviet Union (nine percent). In the last five years refugees from Burma and Somalia have predominated in the flow of resettled refugees coming to Minnesota.

As Map 4 shows, in 2014 the foreign born in Minnesota were highly concentrated in Southern Minnesota. Specifically, most immigrants in the state lived around the Twin Cities metropolitan area on the eastern side of the state. Other pockets of immigrants in Minnesota were located in the southwestern and southeastern corners of the state. These pockets of immigration outside of the Twin Cities are due mostly to the settlement of immigrants in towns with economic opportunities in meat and poultry processing, and medical facilities. It is also notable that the work of nonprofit organizations that resettle refugees is most pronounced in the Twin Cities metropolitan area and other areas in Southern Minnesota.
Theme #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.

While the Minnesota Demographer’s Office does not produce population projections for the foreign born in Minnesota, there are good reasons to believe that the number and proportion of immigrants living in Minnesota will increase in the future. First of all, the historical trend for the number and proportion of foreign born in Minnesota has been positive since the 1990s. Second, the U.S. Census Bureau projects that the number and proportion of the foreign born in the U.S. will increase significantly in the future. Specifically, projections indicate that the number of foreign born living in the U.S. will increase from about 43 million in 2015 to 78 million in 2060, resulting in a projected increase in the proportion of foreign born from 13.5 percent to 18.8 percent.
While these projections represent the best estimates that the Census Bureau has for the future growth of the immigrant population in the U.S., such projections are admittedly speculative and are sensitive to changes in the political and economic context in the U.S.

Based on historical trends in Minnesota and the U.S., it is therefore reasonable to believe that the change in the foreign born population in Minnesota will increase. Given that Minnesota is starting from a lower proportion of foreign born in its population and has a current foreign born population that is different from the foreign born living in the U.S. in important ways (e.g., a larger proportion of foreign born who came to the U.S. as a refugee), it is also likely that Minnesota will strike its own path for future growth in its foreign born population in comparison to the U.S.

Based on a series of calculations that use historical change in the foreign born populations in the U.S. and Minnesota, projected changes in the U.S. native and foreign born populations, and projected changes in the Minnesota total population, it is possible to estimate that the foreign born population in Minnesota will increase significantly over the coming decades. Specifically, the foreign born population in Minnesota is predicted to more than double from about 428,000 in 2014 to almost 870,000 in 2060. This increase in the foreign born population will mean that the proportion of the population in Minnesota that is foreign born could increase from about 7.8 percent in 2014 to over 13 percent in 2060. While this is a significant increase in the foreign born in Minnesota, it is worth noting that the projected proportion of the population that is foreign born in 2060 for Minnesota is slightly lower than the current proportion of the foreign born population in the U.S. This projection method does not allow for estimates of the distribution of the foreign born population across the different regions of Minnesota. However, the current distribution of the foreign born in the state suggests that in the future the majority of foreign born residents will continue to live in metropolitan areas in Southern Minnesota.

The projections for the foreign born population in Minnesota were based on a set of calculations that occurred in six steps. First, I used historical population estimate data from the U.S. Census Bureau between 2006 and 2014 to calculate the percentage of annual population change in the U.S. and Minnesota that was due to the change in the foreign born population. Second, I calculated the average proportion of the annual population change due to changes in the foreign born population between 2006 and 2014 for the U.S. and Minnesota and constructed a ratio of the Minnesota average to the U.S. average. Third, based on projections from the U.S. Census Bureau for native born and foreign born population estimates for the U.S. between 2015 and 2060, I calculated the percentage of the projected annual population change in the U.S. that will be due to changes in the foreign born population in the U.S. Fourth, I modified the annual percentage of the projected annual population change in the U.S. due to changes in the foreign born population in the U.S. by multiplying each year’s figure by the ratio calculated in the second step described above. This modified version of the annual percentage of the projected annual population change due to changes in the foreign born population serve as projections for Minnesota. Fifth, I multiplied the modified version of the annual percentage of the projected annual population change due to changes in the foreign born population to projected annual population changes in Minnesota between 2015 and 2060. The result is the projected annual increase in Minnesota’s foreign born population between 2015 and 2060. Sixth, I added the projected annual increase in Minnesota’s foreign born population to the foreign born population in the previous year, starting with the foreign born population in Minnesota in 2014. This allowed me to calculate the proportion of the foreign born population in Minnesota’s population between 2015 and 2060. As with any population projection, these estimates should be treated with caution since immigration is sensitive to government policies and economic conditions that can change dramatically over time. Given that Minnesota is starting from a lower proportion of foreign born in its population and has a current foreign born population that is different from the foreign born living in the U.S. in important ways (e.g., a larger proportion of foreign born who came to the U.S. as a refugee), it is also likely that Minnesota will strike its own path for future growth in its foreign born population in comparison to the U.S. This method of projecting the foreign born population for the state only accounts for these unique aspects of Minnesota’s immigrant population in a coarse way. Still, the methodology offers a reasonable projection of the growth in Minnesota’s immigrant population given the lack of existing state-level projections by the Minnesota State Demographic Center or the U.S. Census Bureau.
Theme #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.

Labor force size has historically had a positive relationship with economic growth, since additional workers in the economy result in the production of more goods and services. Thus, slower growth in the labor force will likely result in slower economic growth that potentially manifests in stagnant earnings for workers. It is possible for changes in other fundamental aspects of the economy to combat the dampening effect of slower labor force growth. Specifically, if worker productivity were to increase the extra production from fewer workers could offset, or potentially reverse, any declines in economic growth due to slow labor force growth. Of course, recent trends in labor productivity indicate the opposite trend, reinforcing concerns over future long-term economic growth.

Historical trends in the average annual labor force growth rate indicate a significant slowing in Minnesota’s labor force growth at the end of the 20th century, with projections of labor force growth continuing this trend into the 21st century. Chart 5 shows historical and projected average annual labor force growth rates in Minnesota between 1960 and 2045. Labor force growth in Minnesota was the highest in the 1970s, when the average annual labor force growth rate was 2.7 percent. This average annual labor force growth rate decreased significantly over time and eventually fell to around 0.5 percent between 2010 and 2015. Projections indicate that the future average annual labor force growth rate will remain under 0.5 percent through 2045.

Note: Based on “Figure 4: Minnesota’s Average Annual Labor Force Growth Rate, Historical and Projected, 1960-2045,” in Minnesota State Demographic Center, In the Shadow of Boomers: Minnesota’s Labor Force Outlook, December 2013.

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7 Minnesota State Demographic Center, In the Shadow of Boomers: Minnesota’s Labor Force Outlook, December 2013.
The slowing labor force growth in coming years may exacerbate the existing gap between the number of jobs available in Minnesota and the number of workers present in the state to work at those jobs. Chart 6 shows the historic and projected employment and labor force in Minnesota between 1990 and 2024, as reported by the Minnesota Department of Employment and Economic Development (DEED). Generally speaking, when the number of jobs available in the economy is greater than the number of workers in the labor force the unemployment rate is low and employers are confronted with the challenge of finding enough workers to fill available jobs. The most recent recession in the U.S. was associated with the opposite: higher levels of unemployment and fewer jobs available to workers looking for employment. Starting around 2014 the number of jobs available in Minnesota surpassed the number of workers and projections indicate that this trend will continue and widen in the coming decade. As this gap continues to widen the shortage of workers that the gap represents could decrease economic growth in Minnesota.


Note: Based on historical and projected employment and labor force data by the Minnesota Department of Employment and Economic Development.

Projected increases in jobs in Minnesota are weighted toward occupations that require a high school degree or less, which matches the level of educational attainment that is most prominent in Minnesota’s current immigrant population. Minnesota DEED’s “Occupations in Demand” database indicates which occupations are most in demand by employers in the state and the projected growth rate for jobs in these occupations in the near future. Between 2014 and 2024, DEED projects that over 130,000 jobs will become available for workers in the top five occupations that do not require a high school degree, including retail salespersons, food preparation and service, personal care aides, cashiers, and wait staff. In contrast, in the next 10 years only 43,000 jobs will

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become available for workers in the top five occupations that require at least a bachelor’s degree, including registered nurses, software developers, accountants, computer systems analysts, and elementary school teachers.

While future job growth is clearly concentrated among occupations that require less education, these lower skilled jobs pay substantially less than higher skilled jobs that require more education. For example, median annual earnings for jobs in the top five occupations that do not require a high school degree vary between $18,804 (wait staff) and $21,460 (personal care aides). Median annual earnings for jobs in the top five occupations that require a bachelor’s degree vary between $58,023 (elementary teachers) and $91,168 (software developers). With about one-quarter of immigrants over the age of 25 lacking a high school degree, immigrants will be well positioned to accept jobs in the fastest growing occupations in Minnesota in the near future. Given the relatively low pay associated with these jobs, should immigrants work in these low skill jobs for a prolonged period of time we should anticipate that they will struggle with socioeconomic mobility. This suggests a need to redouble efforts to establish career ladders for low skilled workers in these occupations and the establishment of worker training programs that are culturally accessible for immigrant workers.

Shrinking the projected gap between employment and work force in Minnesota will necessarily involve increasing the projected labor force growth in the state. Accomplishing this increase will require changes in the labor force participation rates of its residents, an increase in the state’s population, or some combination of these two factors. Data from the U.S. Census Bureau show that across age cohorts ranging from 25 to 64, the labor force participation rate for women in Minnesota has grown since 1980, while it has stagnated or declined slightly for men in Minnesota. This suggests that though women on average still participate in the labor force at lower levels than men, there has been a slight convergence in the labor force participation rate across gender toward a rate of approximately 70 percent. Further evidence shows that Minnesotans aged 65 and older are delaying their exit from the labor force, which will result in labor force participation rates for older Minnesotans that are likely to increase slightly over time. There is also some evidence that increasing rates of labor force participation among specific ethnic groups in the state could also result in increasing the size of the labor force. For example, about 40 percent of foreign born Mexican, Somali and Hmong women in Minnesota are not in the labor force. Among foreign born Indian women in Minnesota about 50 percent are not in the labor force. According to the five-year sample from the 2014 American Community Survey, among all Minnesotans aged 16 years or old, only 30 percent are not in the labor force. Despite some of these factors, it is unlikely that changes in labor force participation alone will add enough workers to forestall the slow labor force growth rates predicted for Minnesota in the future.

A different approach to increasing the labor force growth rate is to attract more residents to the state in an effort to increase the size of the state’s population and its resulting labor force. According to calculations by the Minnesota State Demographic Center, in order to maintain an average annual growth rate of 0.5 percent in the labor force the state would need to add progressively larger numbers of migrants to the state’s population than current forecasts predict. In fact, by 2041-2045 Minnesota would need to welcome about 270,000 more net migrants than the 59,000 net migrants already projected for this period. Given the prevailing trend of net

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10 Minnesota State Demographic Center, In the Shadow of Boomers: Minnesota’s Labor Force Outlook, December 2013.
11 Ibid.
12 Ibid.
13 Ibid.
14 For the purposes of this report, the term “migrant” connotes an individual who moves across a state line for the purpose of residential settlement. An “immigrant” is an individual who crosses a national boundary for the purpose of residential settlement.
migration to Minnesota that is wholly comprised of immigrants, it is likely that any additional migrants that the state attracts in the future will be disproportionately foreign born. The bottom line is that Minnesota must have more success in attracting more individuals to the state to maintain a robust workforce. Given prevailing trends, it is likely that the vast majority of individuals who move to the state will be immigrants.

In addition to increasing the population and workforce of Minnesota, there is evidence that attracting immigrants to the state will have positive, long-term fiscal effects on the state. A recently released report from the National Academies of Sciences, Engineering and Medicine indicates that in the short run immigration has a negative net fiscal contribution for Minnesota for first generation immigrants, mostly due to the expense associated with education that outpaces tax contributions for this generation. In the long run, when focusing on the fiscal impacts of the children and grandchildren of immigrants (the second and third generations), the same report finds that immigration has a positive net fiscal contribution for Minnesota. In fact, the positive net fiscal contribution of second and third generation immigrants in Minnesota is so large that these contributions result in a substantial positive net fiscal contribution for immigration over three generations.

ADDRESSING MINNESOTA’S LABOR FORCE CHALLENGES

The themes described above paint a troubling picture for the future growth of Minnesota’s economy. Due to an aging population, the outmigration of residents to other states and low levels of international migration to Minnesota relative to the U.S. overall, the population growth of Minnesota has slowed recently and is poised to slow even further in the near future. Because the size of Minnesota’s labor force is a function of its population size and composition, slowing population growth and a level of racial and ethnic diversity that significantly lags that of the U.S. overall suggest some significant challenges related to the ability of Minnesota’s labor force to maintain robust growth in the future.

Expecting a substantial increase in the immigrant population above and beyond what analysts currently project may be unsubstantiated, but states can compete with each other to attract immigrants and increase their populations. In short, while the overall number of immigrants coming to the U.S. in the future may be difficult to change, it may be possible to change the relative distribution of where immigrants choose to settle. Because immigrants typically arrive in the U.S. in their prime working years and have a higher rate of labor force participation than the native born, they have an outsized effect on the size of the workforce where they settle. 

A focus on attracting more immigrants is an imperative for Minnesota in order to address the challenges linked to the slowing growth of the state’s population and labor force. At the same time, while some immigrants have advanced degrees and are poised to make contributions to the knowledge economy, a much larger proportion of immigrants arrive with limited educations and may struggle to make the kinds of economic contributions that are most needed in an economy that is increasingly led by innovation. In other cases, highly skilled immigrants are unable to fully utilize their educations in the American economy because their credentials are not recognized or undervalued. Thus, a second imperative for Minnesota is incorporating immigrants into the economy more completely and rapidly by finding ways to use their existing human capital and increase their skills through training and education.

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Ideas and Questions to Guide Prioritization for Policy, Practice and Research:

I. Attracting More Immigrants to Minnesota

Settlement decisions for immigrants are largely determined by distinct sets of economic and social factors. From an economic perspective, Minnesota holds a significant advantage over most other states when it comes to being an attractive place for immigrants. As of July 2016, Minnesota was tied for the 10th lowest unemployment rate in the U.S. (3.9 percent) and in 2015 the state had a median household income in the U.S. of $63,488, about 14 percent higher than the median household income for the U.S. The state is the well-known home to a variety of Fortune 500 companies. The fundamentals of the Minnesota economy are strong and probably act as an important magnet for immigrants. On the other hand, there are a series of challenges with the economy that may repel immigrants. For example, economic prosperity is not experienced by all in Minnesota and the state has become well known for its large economic and educational racial disparities.

These factors suggest a series of questions and areas of focus that leaders across public and private sectors in Minnesota should consider when thinking about how to attract immigrants to the state:

• What are the programs and policies (new, existing or modified) that can encourage immigrants to settle in the state? What additional communication and coordination is needed to improve the impact of current and future initiatives related to the economic, political and social experiences of immigrants in Minnesota and make Minnesota a more attractive place for immigrants to live?

• With a robust and successful system of higher education in Minnesota, many immigrants arrive in Minnesota on temporary visas in order to attend school and earn educational degrees. What strategies can Minnesota use to increase this international student population and retain these international students as future high skilled workers in the state’s economy?
  ○ The Obama Administration has offered a recent proposal that would offer temporary permission for immigrant entrepreneurs, some of whom originally came to the U.S. as students, to live in the U.S. provided that they have a substantial ownership in a start-up company based in the U.S. How can the State of Minnesota, including its higher education system, take advantage of existing educational infrastructures that encourage and support entrepreneurship to attract more international students and aspiring immigrant entrepreneurs to the state?

• What steps can Minnesota take to diffuse social tensions between native born residents and immigrants, and open social and political opportunities for immigrants? In short, how can Minnesota become known as a state with an inclusive culture where the contributions and different perspectives of immigrants are welcomed?

II. Using Existing Human Capital and Increasing Skills for Immigrants

• The present attention to racial disparities between whites and people of color by policy makers in Minnesota will take on a new level of complexity in the future as immigrants from a variety of ethnic groups and racial backgrounds continue to arrive. Therefore, the ongoing work of reducing racial disparities will increasingly mean that immigrants and the children of immigrants in Minnesota are a more direct focus of policymakers, employers, educators, and researchers who study these disparities and work together to implement promising strategies to reduce them. Specifically, collaborative efforts

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are needed to assess which strategies can reduce educational, health and economic disparities in Minnesota and how these strategies may have different effects on reducing disparities experienced by native born people of color and immigrants.

- Because their foreign earned educational degrees, licenses and credentials may not be recognized by professional organizations and employers in Minnesota, some high skilled immigrants who received their training abroad may be underemployed. A collaborative effort is needed to review current credentialing and licensing requirements and to determine how to assess and integrate the training and expertise of these immigrants such that their foreign earned educational degrees, licenses and credentials are honored in Minnesota when possible and appropriate.

- What factors would encourage individuals in their prime working years who are not currently in the workforce to enter the workforce? Some factors may affect the propensity of individuals regardless of ethnic background to enter the workforce (e.g., the availability of low cost, high quality day care), while other factors may need to be tailored to appeal to individuals from specific ethnic groups.

- How can government support employers who want to invest in the human capital of their workers in order to make them more productive, but fear that such investments will increase turnover in their workforce? For example, learning English may be difficult for immigrants, and particularly refugees, because immigrants sometimes must choose between pursuing additional education that would increase their future earnings potential and obtaining a job immediately in order to become self-sufficient. What kinds of support would allow these immigrants to work toward both goals simultaneously?

- Using the Cedar-Riverside Opportunity Center as a test case, how can more culturally aware and culturally appropriate workforce centers improve the ability of immigrant job seekers to find employment? The newly passed Workforce Innovation and Opportunity Act (WIOA) charges the U.S. Department of Labor, in coordination with the U.S. Departments of Education and Health and Human Services, to offer employment and training services, including adult education and literacy programs, to adults, dislocated workers and youth. While it is not financed by the WIOA, the Cedar-Riverside Opportunity Center operates under a similar assumption about the power of bringing together job services, training and human services in the same institution to serve East African immigrants. An assessment of the effectiveness of the Cedar-Riverside Opportunity Center could inform broader strategies that workforce centers supported by the WIOA could employ to serve immigrants more effectively.

**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.