Minnesota Demographics And The New Normal

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The Economic/Demographic Environment Has Changed for as Far as We Can Forecast

- Short run economic cycle has merged with long run demographic cycle
- We have entered the Age of Entitlement—economic growth in the next 25 years will be slower than what it was in the past 25.
- This is a national/global issue

U.S. Employment Not Expected to Return to Pre-Recession High Until Spring 2013

Minneapolis Will See a 30 Percent Jump in Workers Turning Age 62 Beginning 2008
From 2010 to 2020, Minnesota Will See Large Increases Age 50s and 60s

Projected Average Annual Growth 2010-20 In Selected Disabilities--Minnesota

Competition For Future College Students Will Increase

Labor Force Growth Is About To Slow Sharply
Minnesota’s Labor Force Is Aging
In 1990, the peak was 30; in 2007 it was 46.

For Many Occupations, Replacements Will Outnumber New Job Growth
Projected Openings In Minnesota Occupations 2006-16

DEED projections. Percent of 2006 level

Minnesota Faces a Fiscal Trap
1. The issue is a long run, structural one—short run solutions will not solve the problem
2. Trend growth alone will not be sufficient. Fundamental changes are necessary
3. Revenue growth will slow. Efforts to increase it will be met with resistance
4. Spending pressures will increase driven largely by issues of aging and health
5. State spending will shift its focus from education, infrastructure and higher education to care and support of the aging

The Old Normal
+ The Great Recession
+ Long Run Demographic Changes
= The New Normal
The “New Normal” Probably Means

• Slower economic growth
• Higher interest rates
• Chronic government deficits & cuts in service
• Worries about how to pay for past promises
• Creative destruction/disruptive innovation will change the way we deliver services
• More uncertainty about the future
• A whole new set of opportunities

Grieving For The “Old Normal”

• Denial – “This is not happening.” “Just wait, things will return to normal.”
• Anger – “Who is to blame?” Rage and gridlock rule and anyone who symbolizes life, energy, progress, success, happiness, etc. is treated with resentment and mistrust.
• Bargaining – “I’ll change if this just goes away.” Somehow, we can get back to the old normal if we just return to good, old fashioned (conservative/liberal) values.
• Depression (emotional, not economic) – “What’s the point in trying?” “We are all doomed anyway.” The certainty/finality of events is finally recognized.
• Acceptance – “It’s going to be okay.” Looking for opportunities begins.

But Why Fear The New Normal?
It Plays To Our Strengths!

- Future economic growth will depend increasingly on increasing productivity and less on labor force size
- Education has been the key to Minnesota’s productivity and prosperity
- Future productivity increases will depend on decisions and the investments we make now
- **Public Sector Productivity Growth Will Be Essential**

The Fiscal Catch-22

- If we don’t make the necessary public investments in human capital, research and infrastructure, then we won’t have the productivity gains needed to provide the resources to make those investments in the future and pay for the promises we have made.
“I skate to where the puck will be, not to where it has been.”
Wayne Gretzky
Hockey Great