

MINNESOTA  
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POWERING PROSPERITY

# Minnesota's economic imperative:

## A blueprint for growth

May 2026



# Minnesota's economic imperative: A blueprint for growth



# Executive summary: Growing the economy creates more opportunity and prosperity for every Minnesotan

Minnesota faces an imperative to accelerate economic growth in the coming years. Robust private sector growth supports more jobs, higher incomes, better public services and infrastructure, stronger business investment and ensures quality of life throughout the state.

These are shared priorities that strengthen the foundation of Minnesota’s long-term prosperity. Minnesota’s economy is resilient, but it has lagged national growth over the past decade. This gap is reflected across nearly every major macroeconomic indicator – from labor force and job growth to household income, productivity and Gross Domestic Product (GDP).

The Minnesota Chamber Foundation’s *2026 Business Benchmarks* report highlighted three key indicators that underscore this challenge. From 2019 to 2025, Minnesota ranked 38<sup>th</sup> in GDP per capita growth, 33<sup>rd</sup> in labor force growth and 41<sup>st</sup> in net domestic migration. This means Minnesota has assets for growth but isn’t turning them into results.

Minnesota’s economy is not in decline. It continues to grow, supported by strong underlying fundamentals. Boosting Minnesota’s economic growth would create real benefits for people across the state.

**Stronger household finances:** Per capita growth allows incomes to outpace inflation, improving purchasing power and financial well-being. When incomes grow faster than prices, people can afford more, which matters as the cost-of-living rises.

**Career advancement:** Faster growth means more high-quality jobs across different industries. This directly benefits Minnesotans who are entering the workforce or seeking new career opportunities.

**Innovation and entrepreneurship:** A growing economy makes it easier to start and grow businesses, bringing new ideas and investment. Minnesota’s homegrown economy relies on entrepreneurs who start new ventures and grow their business in the state.

## An economic imperative for growth

### Accelerating growth and prosperity in Minnesota

Real GDP per capita  
annual growth rate  
(2019-2025)

**+1.0%**  
**Ranked 38<sup>th</sup>**

### Growing Minnesota’s workforce

Total civilian labor force  
annual growth rate  
(2019-2025)

**+0.2%**  
**Ranked 33<sup>rd</sup>**

### Delivering better value – not just higher costs

Net domestic  
migration  
(2020-2025)

**-37,202**  
**Ranked 41<sup>st</sup>**

**Growing local communities:** Communities thrive when they are adding new residents, workers and businesses. Local growth and investment boosts confidence for residents that their community is moving in the right direction.

**Fiscal stability:** Stronger growth expands the tax base, easing long-term budget pressure for the state and local communities, which is especially important with budget deficits in the coming years.

# Challenges and opportunities ahead

Minnesota's economy has both challenges and opportunities ahead. The state's population growth is slowing, and the workforce is getting older. Over the next decade, the workforce is expected to grow by just 55,000 people – an average annual growth rate of just 0.2%.

This means that Minnesota must increase productivity in the existing workforce, helping businesses invest and innovate, and boost employee skills. Further, while Minnesota can't reverse long-term demographic trends, it can meet future needs by bringing more people into the workforce and attracting and keeping more workers in the state.

These challenges are not easy to solve, but Minnesota is starting from a position of strength. States around the country are facing similar population and workforce challenges. Minnesota's unique strengths could position it to be a leader in an evolving economy.

The state has one of the most educated workforces in the nation, with nearly three out of four adults in the labor force having some postsecondary education. It has a diverse private sector economy, with companies driving innovations in areas like health and medical technology, food and agriculture, water and energy technologies, minerals and mining, advanced manufacturing and leading consumer products that are exported to markets around the world.

Taken together, this talent, innovation and resource base gives Minnesota a strong foundation for growth. If fully leveraged, these strengths can help the state compete, grow and create lasting prosperity for the next generation.

This report lays out a blueprint to focus attention and action around three key imperatives for growth in the state's economy. This is a starting point intended to spur conversation, ideas and action in the months and years to come.

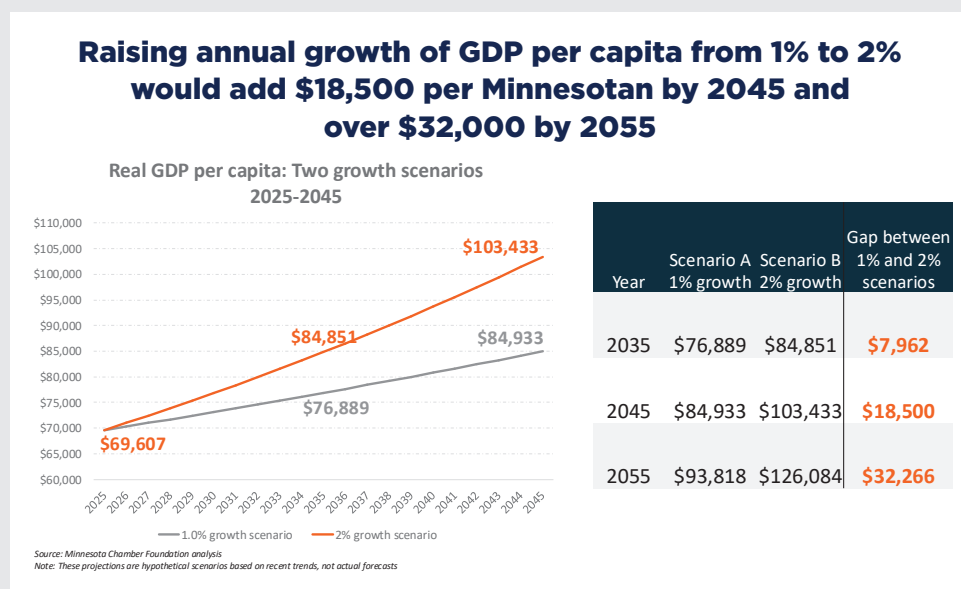
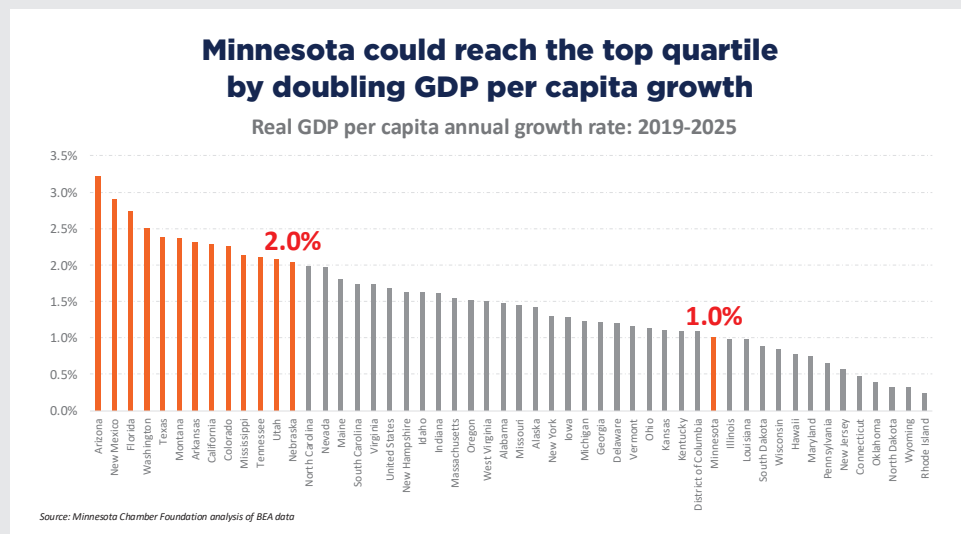
**Turning these strengths into results will take deliberate action. Growth must be a shared priority among business leaders, policymakers, educators and communities – even if there are different views on how to achieve it.**

## Doubling per capita economic growth would move Minnesota into the top quartile of states and create a more prosperous economy for future generations.

If Minnesota had grown GDP per capita at 2% annually instead of 1% since 2019, output per person would be roughly \$4,000 higher today, putting Minnesota into the top quartile of states. Over time, the impact compounds significantly. At current trends, the difference between 1% and 2% annual growth amounts to nearly \$18,500 per person within twenty years and more than \$32,000 per person over 30 years. This means that children born in 2026 would start their careers in a substantially more prosperous economy, increasing their opportunities and quality of life.

Minnesotans today have an obligation to invest in future prosperity. A goal to double per capita economic growth over the next decade – while aspirational – is entirely feasible and would directly improve the lives of Minnesotans.

The question remains, what can we do to get there?



## A blueprint for economic growth

**Growing the state's economy will require focused attention on three key priorities.**

First, Minnesota needs to unlock more private sector investments in the state's economy. The economy grows when businesses invest in new locations, expansions, innovations and tools to boost the productivity of their employees. While Minnesota has the strengths to capture investments in a range of industries, the data show investments have stagnated in the first half of the decade.

Second, Minnesota must advance an all-in strategy to invest in the skills and capabilities of its workforce. This will require a shift in focus to think about how people develop their skills beyond the classroom. Creating effective collaborations between employers, workers and training providers can build human capital and drive productivity in coming years. Third, Minnesota can't grow through productivity alone. The state must find ways to better retain and attract talent. This will require strategies that address underlying drivers of migration – housing, higher ed, tax policies and immigration – to move the needle on growing Minnesota's population and workforce.

### **IMPERATIVE:**

#### **Drive investment and innovation**

Minnesota has a strong base of businesses, but the pace of new investment and innovation has slowed in recent years, and that matters for both employers and employees.

Minnesota ranks 5<sup>th</sup> in total patents per capita, highlighting the state's strong history of innovation. But it ranks 43<sup>rd</sup> in growth in new patents since 2015, illustrating that it's not keeping up with other states in developing new ideas. For businesses, that can mean falling behind competitors. For workers, it can mean fewer new industries and opportunities.

The state ranks 16<sup>th</sup> in total research and development (R&D) output but 47<sup>th</sup> in growth, meaning Minnesota isn't expanding on its strong foundation. That limits future breakthroughs, business expansions and high-paying jobs. Likewise, Minnesota ranks 45<sup>th</sup> in growth of non-residential construction spending and 47<sup>th</sup> in startup job creation.

The state also has competitive advantages and emerging opportunities that could be better leveraged, from investments in advanced sectors to scaling new and small businesses. Unlocking this potential will require a reset in how Minnesota welcomes and enables new investments.

### **RECOMMENDATION:**

#### **Develop a clear economic vision that aligns policy and decision-making.**

Minnesota needs a clear, consistent plan for economic growth, so businesses know what to expect when they consider investing here. Today, policies are often disconnected, send mixed signals and create uncertainty, which can deter long-term commitments. Stronger alignment – guided by state leadership and informed by business input – would

## A blueprint for growth

Three imperatives to expand economic opportunity for all Minnesotans



### **Drive investment and innovation**

Creating the conditions for businesses to invest, expand and innovate, so Minnesota sees more jobs, higher wages and greater opportunity.

### **Upskill Minnesota's workforce**

Revitalizing how people gain the education, training and experience needed to drive prosperity and productivity.

### **Lead the Midwest in talent attraction and retention**

Building an attraction strategy around the drivers of migration, including housing, costs, education and access to opportunity.

encourage growth and attract investment.

**RECOMMENDATION:  
Streamline the process for business expansion and attraction.**

The state should make it faster, more coordinated and more predictable for businesses to move projects from idea to reality. Improving permitting timelines, simplifying incentive programs, expanding shovel-ready sites and better aligning workforce training with project needs would remove these barriers. Businesses would have greater certainty, lower costs and the ability to move quickly in a competitive environment, bringing new jobs and local investment into communities.

**RECOMMENDATION:  
Improve long-term cost competitiveness.**

Minnesota should update its tax structure to better compete with other states, while maintaining a stable budget. Today’s system is marked by high tax rates and a series of piecemeal policy changes, which make it harder for businesses to expand or invest, or choose Minnesota over other locations. A comprehensive review of the system would help identify more effective, long-term solutions. Pairing that with a focus on policies that expand the economic base would attract more investment and business expansion and create more opportunity across the state.

**RECOMMENDATION:  
Strengthen sector-based economic development strategies.**

Minnesota should build on its existing strengths by more intentionally focusing on the industries where it has a competitive edge. This means aligning messaging, incentives and programming around high-growth sectors that drive productivity and prosperity. A more coordinated, sector-driven approach would help the state better compete for large-scale investments, attract new businesses and maximize regional strengths.

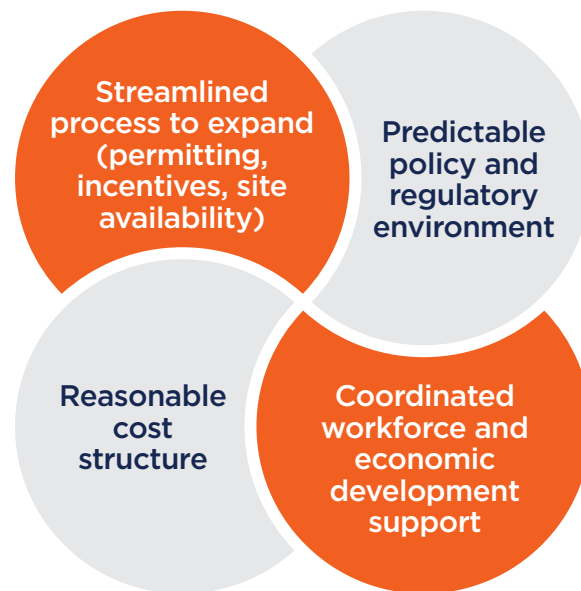
**RECOMMENDATION:  
Expand support for startups and small business growth.**

While Minnesota has made progress in building its entrepreneurial ecosystem, more work is needed to help businesses scale. Enhancing access to capital, technical assistance and growth-oriented resources can ensure startups not only launch in Minnesota but expand there as well.

**Evidence suggests Minnesota is lagging in growth of business investments and innovation**

	Total value (most recent time frame available)	Total value rank	Growth over the past decade
R&D value-added (BEA)	\$43.5 billion (2019-2023)	16th	47 <sup>th</sup>
New patents (USTPO)	650 (per 1 million people; 2025)	5 <sup>th</sup> (per capita)	43 <sup>rd</sup>
Venture capital (Pitchbook)	\$11.7 billion (2019-2024 total)	17th	23 <sup>rd</sup>
Non-residential construction spending (U.S. Census)	\$25.62 billion (2020-2024)	29th	44 <sup>th</sup>
Manufacturing GDP per worker (BEA; BLS)	\$148,740 (2024)	35th	38 <sup>th</sup>

**Minnesota must create a more competitive and predictable environment for businesses to invest and expand here**



**IMPERATIVE:  
Upskill Minnesota’s workforce**

Increasing Minnesota’s economic growth potential will depend on continuing to build the skills and capabilities of the workforce. Part of this is driven by demographic necessity: the number of workers in the state is expected to grow very slowly. That means future growth can’t rely on adding more people – it has to come from helping each worker produce more and earn more.

# Minnesota's economic imperative: A blueprint for growth

This is especially important for businesses, which will face tighter labor markets and need more skilled workers to grow and compete. For Minnesotans, better skills translate directly into better job opportunities, higher wages and greater long-term financial stability.

At the same time, rapid changes in technology – especially artificial intelligence – are reshaping the skills needed across many jobs. This requires faster and more flexible approaches to training and reskilling than in the past.

Minnesota starts from a strong position, with the 2<sup>nd</sup> most educated workforce in the nation, as measured by the share of individuals with at least some post-secondary education. But the state will need to focus on building the right skills for today's and tomorrow's jobs – helping workers apply their knowledge in real-world, industry-specific ways.

## RECOMMENDATION:

### Shift to an employer-centered workforce system focused on talent development.

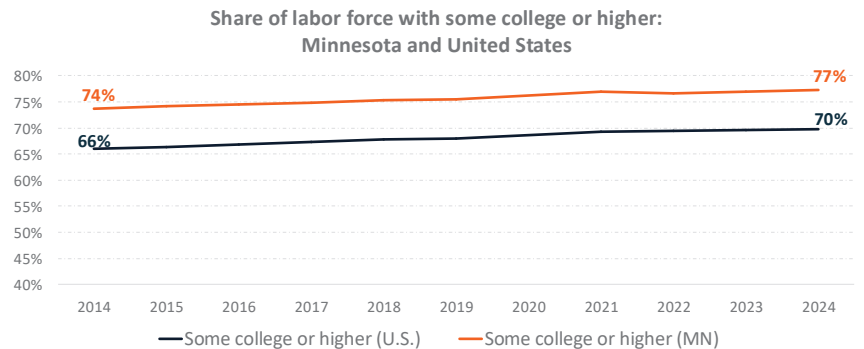
Minnesota should modernize its workforce system to better match today's economic reality – where a workforce is growing slowly and the demand for skills and productivity is rising. Today's system isn't always aligned with what employers need or focused on measurable results. Updating the system includes improving transparency and accountability, expanding employer-driven training programs and rebalancing resources toward initiatives that deliver measurable outcomes. A more flexible, skills-focused system – supported by modernized incentives and sector-based training – would help Minnesota keep pace with new technologies and ensure its workforce is ready for the jobs of today and the future.

## RECOMMENDATION:

### Strengthen business–education partnerships.

Minnesota should strengthen connections between employers, schools and training providers to better prepare people for good jobs. There is often a gap between what students learn and the

## With Minnesota already having a highly educated workforce, further gains are increasing slowly



Source: U.S. Census, American Community Survey 1-year estimates, 2024

## Rethinking Minnesota's approach to talent development

### Educational quality and alignment

- Concerns regarding K-12 test scores
- Opportunity to create stronger alignment and pipelines to high productivity sectors
- Technology advancements may create need for more agile changes in curriculum and applied-learning models

### Continued training/ development of existing workers

- Current system focuses heavily on job placement and building provider capacity
- Opportunity to shift toward employer and worker-centric programs to train and upskill existing workers
- Effective training programs enhance workers' skills and help Minnesota compete for business investments

skills businesses need, especially as technology and industries change quickly. Closer collaboration can help translate real-world demands – like skills in AI and advanced technology – into relevant training, internships and apprenticeships. This means a stronger pipeline of job-ready talent and clearer pathways into good careers. Expanding proven models that connect business and education networks can help build a more responsive and connected talent pipeline across the state.

**IMPERATIVE:**

**Advance a statewide initiative to lead the Midwest in talent retention and attraction**

With slower natural population growth, Minnesota must compete more aggressively to retain and attract talent. The state has strong assets but has experienced net domestic outmigration in 20 of the past 25 years. Reversing this trend will require addressing the underlying drivers of migration.

**RECOMMENDATION:**

**Expand housing supply to support population growth.**

Minnesota needs more housing to support both population growth and affordability. Right now, limited housing supply makes it harder for people to move to or stay in many communities, as well as driving up costs. Reducing regulatory barriers and expanding more effective housing strategies would help increase the number of homes available, attracting new residents while improving cost stability.

**RECOMMENDATION:**

**Evaluate tax policy’s impact on migration.**

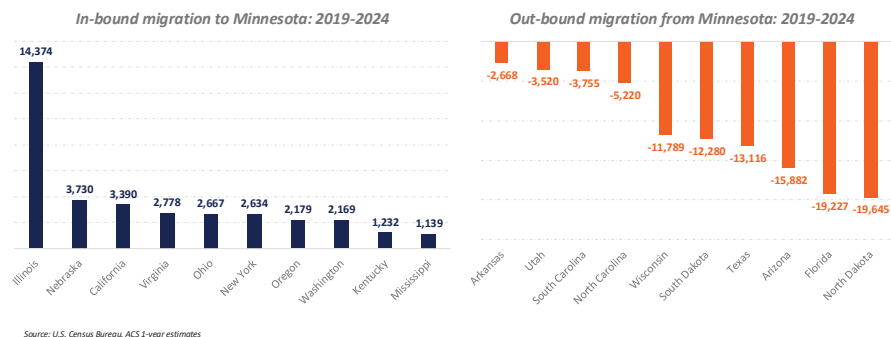
The state should take a closer look at how its tax system affects whether people choose to move to, stay in or leave the state. The evidence shows links between tax competitiveness and migration across states, with high tax states ranking near the bottom in net domestic migration this decade. A clearer understanding of these dynamics could inform reforms that improve Minnesota’s ability to attract and retain talent. It’s not currently clear how much taxes influence those decisions – but understanding that impact is critical as Minnesota works to attract and retain talent.

**RECOMMENDATION:**

**Leverage higher education to attract and retain young talent.**

Minnesota can better capitalize on its colleges and universities by attracting out-of-state students and strengthening pathways into local careers after graduation. More coordinated efforts between

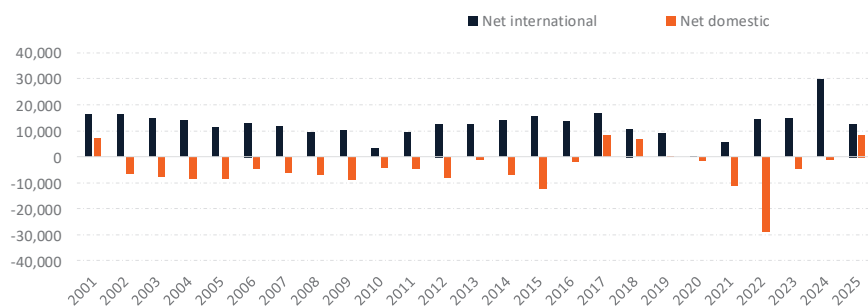
**Largest net domestic migration gains coming from Illinois, while net losses going to neighboring states and large sunbelt states**



Source: U.S. Census Bureau, ACS 1-year estimates

**International migration sustaining population growth in Minnesota**

Net international and domestic migration: Minnesota  
Measures July to July of each year: 2001 - 2025



Source: U.S. Census Bureau, Population Estimates

higher education and employers could improve retention of young adults – a key driver of migration trends.

**RECOMMENDATION:**

**Strengthen legal immigration pathways and integration efforts.**

Minnesota should strengthen its ability to attract and integrate international talent to support workforce and population growth. While federal policy sets the rules for immigration, state and local actions can help support international talent by improving transitions from education to employment, helping employers access global workers and accelerating workforce integration for new arrivals. Building on the state’s existing strengths in immigrant workforce participation can support long-term population and economic growth.

## Minnesota's recent economic performance and long-term outlook

**Minnesota's economy remained stable heading into 2026, but growth has slowed and lagged the national economy over the past decade.**

Economic conditions showed mixed signals heading into 2026. On the positive side, overall economic activity in Minnesota expanded in 2025, with modest gains in employment, GDP, labor force, wages and income. Labor force participation averaged 68.3% in 2025 – well above the national average of 62.4% – pointing to continued stability and underlying strength in the state's economy.

However, the data also indicate signs of cooling in 2025 and early 2026. Unemployment, while still relatively low by historical standards, rose steadily throughout 2025 and early 2026, reaching a peak of 4.5% in February 2026. Similarly, total employment grew by just 0.4% from 2024 to 2025, with net job losses occurring in three consecutive months from December 2025 through February 2026.

Looking more broadly, longer-term trendlines show that Minnesota's economy has slowed over the past decade and has lagged the national economy. This pattern is evident

**This suggests that strategies aimed at strengthening productivity – through investment, innovation and human capital – are likely to play an outsized role in shaping Minnesota's long-term economic performance.**

### FULL ANALYSIS

Recent performance and long-term outlook .....	8
Imperative: Unlock investment and innovation .....	11
Imperative: Upskill Minnesota's workforce....	18
Imperative: Lead the Midwest in talent retention and attraction .....	24

across most major macroeconomic indicators, including GDP, employment, labor force, income and wages, productivity and consumer spending. From 2015 to 2025, Minnesota's economy grew at an average annual rate of 1.6%, well below the national average of 2.4%.

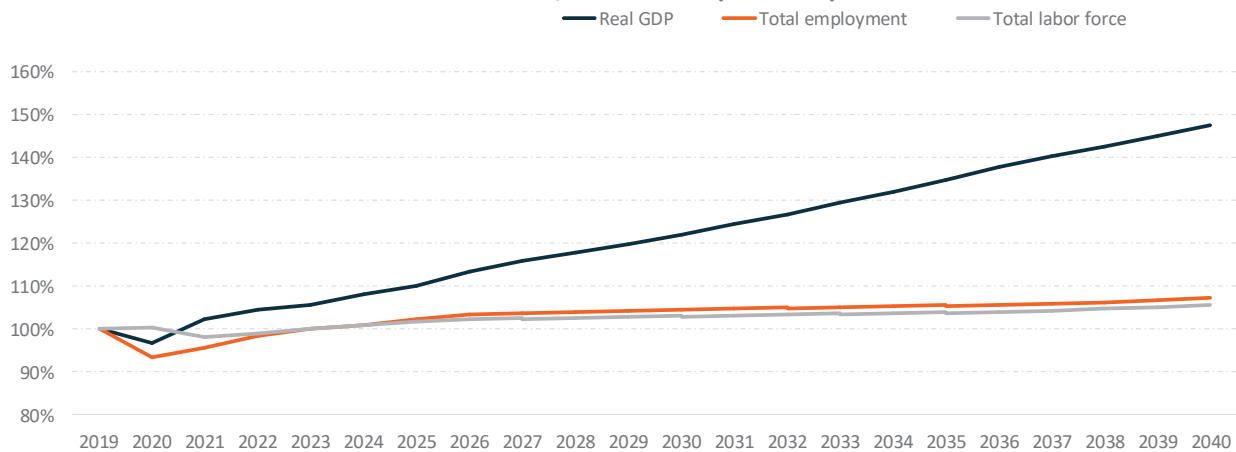
As noted in the Minnesota Chamber Foundation's *2026 Business Benchmarks* report, this slower growth is partly attributable to a deceleration in labor force expansion, which has increased by just 0.2% annually since 2019. At the same time, growth on a per capita basis has also weakened, with real GDP rising by only 1.0% from 2019 to 2025 – ranking 38<sup>th</sup> nationally.

**Productivity will drive economic growth as labor force and employment outlook remain subdued.**

Forecasts from S&P Global suggest that Minnesota's population outlook will continue to shape the state's economy in the years

## Productivity will drive future growth as labor force and employment slows

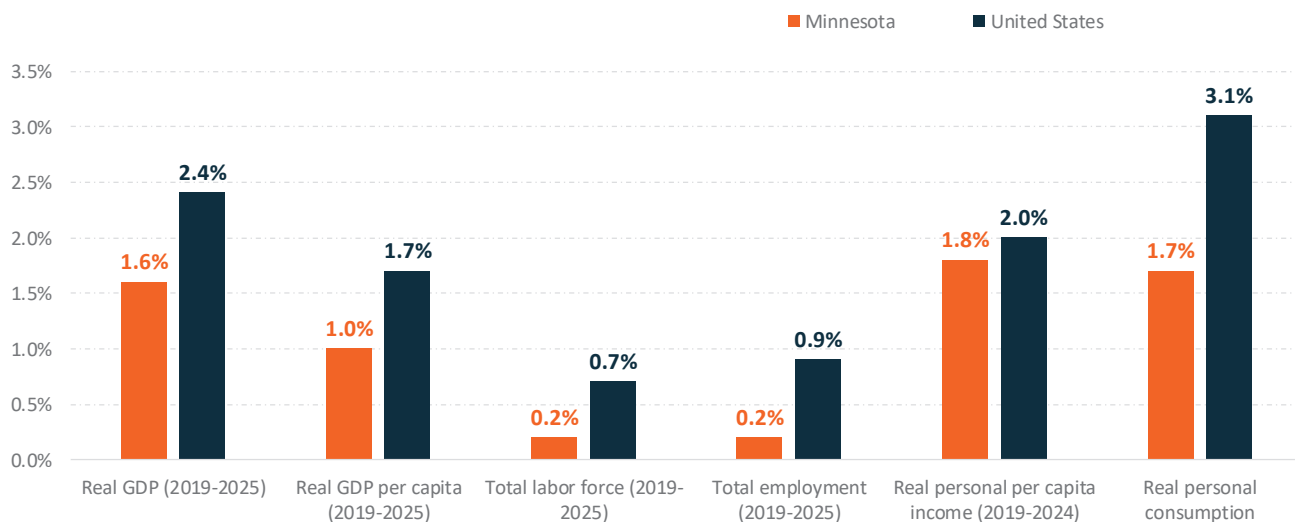
Forecast of real GDP, total employment and total labor force: (2019 = 100%):  
Minnesota, 2019-2040 (forecast)



Source: S&P Global

## Minnesota's economy lagging national growth this decade

Annual growth rate in selected economic indicators: 2019 - most current available data, Minnesota and United States



Sources:  
 Real GDP data from Bureau of Economic Analysis (BEA)  
 Real GDP per capita data from BEA and U.S. Census Bureau Population Estimates  
 Total labor force data from Bureau of Labor Statistics (BLS), Current Employment Statistics  
 Real personal per capita income data from BEA  
 Real personal consumption expenditures data from BEA

# Minnesota's economic imperative: A blueprint for growth

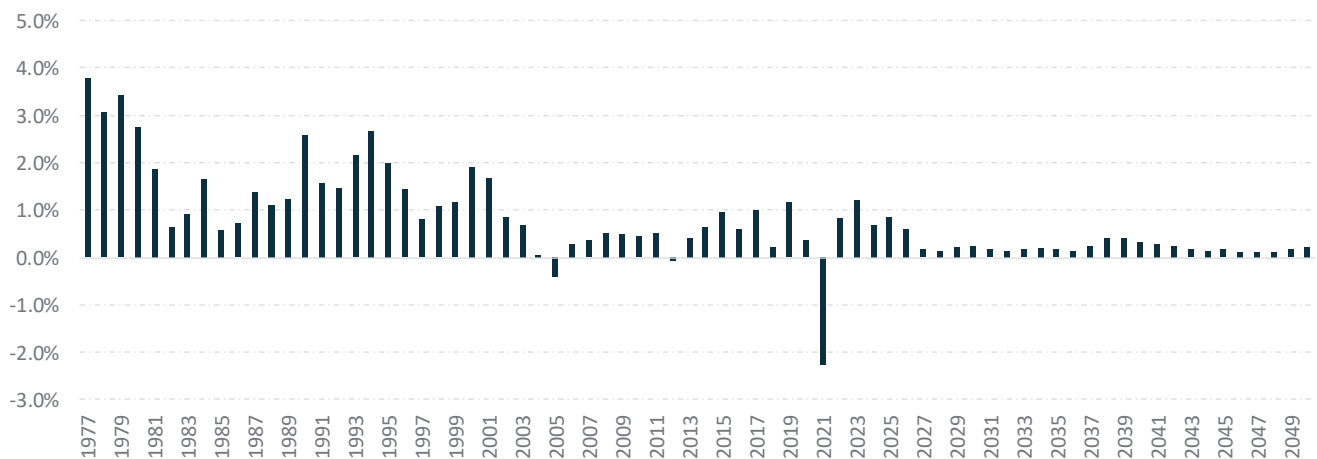
ahead. An aging population and declining birth rates are expected to constrain both labor force and job growth over the next decade and beyond. From 2026 to 2036, Minnesota is projected to add approximately 55,000 workers, with total labor force and employment growing at an average annual rate of just 0.2%.

At the same time, overall economic output is expected to improve modestly, supported by gains in consumer spending and a

stronger productivity outlook. Real GDP is forecast to grow at an average annual rate of 2.1% over the next decade, before slowing to below 2% annually through 2050. Near-term growth could shift as broader economic conditions evolve. More structurally, however, the outlook points to a clear trend that as population and labor force growth plateau, future economic expansion will depend increasingly on productivity gains.

## Minnesota's labor force expected to grow 0.2% annually through 2050

Average annual labor force growth rate: Minnesota  
1977 - 2050



Source: S&P Global

# Imperative: Unlock investment and innovation

Business investment and innovation are key drivers of economic growth. When businesses invest capital in new facilities, equipment and technologies, they increase the productive capacity of their operations and the quality of jobs for their employees. Similarly, innovation enables firms to find new ways to create value in the marketplace – whether through new products, technological breakthroughs or novel operational improvements. Together, these act as underlying forces that generate growth in productivity and lead to increased output, income and living standards over time.

Minnesota has benefited from decades of private sector investment and innovation. The state has a highly diversified economy with leading companies and industry clusters in a variety of advanced sectors. These industries produce among the highest levels of innovation in the country, with Minnesota perennially ranking in top five states in patents per capita.

Minnesota's innovative business sector positions the state to capture new opportunities in the years ahead. The state has underlying strengths that make it an attractive place for businesses to invest: an educated workforce, reliable infrastructure assets and energy grids, abundant natural resources and strong local communities offering a high quality of life. This unique portfolio of assets can be leveraged to help retain and attract new economic activity to the state. Already this decade, Minnesota has received notable investment announcements from companies looking to expand and build facilities related to medical products, R&D, biotech and food innovation, machinery manufacturing, semiconductors and clean technologies.

Despite these strengths, however, Minnesota is only scratching the surface of its opportunities. The state continues to lag peers in the number of expansion announcements, and many existing Minnesota companies are choosing to place investments outside the state. Some of the businesses deciding to expand elsewhere report doing so because of issues related to Minnesota's business climate and workforce availability. These challenges are most

pronounced in projects involving complex permitting, large-scale power or water needs, or fast timeline requirements needed to break ground and get to market. Such factors are increasingly relevant, as the scale of new investments around the country has surged in recent years.

But the challenge to business investment goes far beyond just the largest economic development projects. Broader economic growth occurs when thousands of businesses across the state economy – from startups and small businesses to mid-sized and large companies – make steady investments in new products, technologies, equipment and facilities. The accumulation of these types of investments over time is a fundamental driver of long-term economic growth. While comprehensive state-level data on private investment remain limited, the existing evidence reveals that Minnesota has seen stagnating growth in new capital investments and innovation activity in recent years. For example, Minnesota ranks 5<sup>th</sup> in total patents per capita, but 43<sup>rd</sup> in growth of new patents over the past decade. Similarly, Minnesota ranks 16<sup>th</sup> in total R&D activity but 47<sup>th</sup> in R&D growth. Other metrics of business investment like non-residential construction spending show the same pattern – activity has been flat in recent years, ranking in the bottom quartile of states. This is not just a case of less innovative states catching up to more developed states like Minnesota. Indeed, other leading innovation states have continued to foster greater levels of growth in these activities.

While there may be a variety of causes for the recent slowdown in investment and innovation, Minnesota should take proactive steps to reduce barriers for businesses who want to start a new venture, build a new facility or bring a new idea to market.

This section provides a snapshot of recent trends and provides a set of proposals that could unlock greater investment in Minnesota's economy in the coming years.

# Minnesota's economic imperative: A blueprint for growth

## Trends in business investment and innovation

**Entrepreneurship and growth in key industry clusters are bright spots in Minnesota's investment and innovation landscape.**

Two trends stand out as contributing to Minnesota's investment and innovation landscape this decade.

First, entrepreneurship levels gained notable traction since 2020 and have remained well-above the pre-2020 trendline. This is evident in a rise in new business applications – which is an early indicator of business formations – and growth in the level of venture capital investments going to Minnesota startups. Economic studies show that new firms disproportionately contribute to job creation, productivity and innovation. Yet, for decades, business formation rates had been declining, both in Minnesota and nationally. Since 2020, this trend has shifted in a positive direction, providing a potential boost to economic growth prospects going forward. However, translating new business startups into meaningful economic activity is dependent on the extent to which these new businesses can scale up and expand over time. Here, the data have been more disappointing to date, with Minnesota's startup job creation rates lagging the national average and ranking 47<sup>th</sup> among states from 2018-2023. This suggests that more needs to be done to help new and small businesses not only start a venture in Minnesota but grow and expand their business here.

A second area of positive momentum this decade is the continued growth of several advanced industry sectors, such as medical goods, semiconductors and clean-tech. Heading into the decade, Minnesota had among the highest concentration of jobs in several medical industries. This advantage only intensified in recent years. Since 2020, Minnesota increased its market share in these industries, experiencing both net job growth and notable business investments in expansions and new facilities. Three subsectors of Minnesota's broader medical goods industry – electromedical devices, medical supply and equipment manufacturing and wholesale trade of medical goods – added a collective 3,300 new jobs since 2021, growing by 8%. Further, all three industries outpaced the U.S. average and by the third quarter of 2025 had increased its concentration of jobs relative to other states in all three industries.

Additionally, Minnesota's long-standing semiconductor industry – which emerged in the middle of the 20<sup>th</sup> century as Minnesota became a national hub for mainframe computing – also underwent renewed investment alongside federal policies to bolster domestic supply of this critical technology. The state's semiconductor and other electronic components manufacturing industry added over 1,000 jobs since 2021, posting 13% total growth and increasing

market share among states nationally. This has coincided with multiple investment announcements from chips manufacturers expanding their production capacity in the state. Further, regional and state economic development entities have helped organize sector-specific initiatives to build workforce training pipelines and local supply chains to further develop the industry in Minnesota.

Finally, Minnesota has seen opportunities in emerging industries related to clean technologies, which may present additional investment activity in the future. Initiatives to develop a nation-leading hub for sustainable aviation fuel (SAF) stand out as one such example, where industry leaders and economic development organizations have taken meaningful steps to establish an underlying foundation for this nascent industry to take root in Minnesota. These activities have occurred alongside investments in other clean-tech markets related to critical minerals, water and energy that could create new growth opportunities in the coming years.

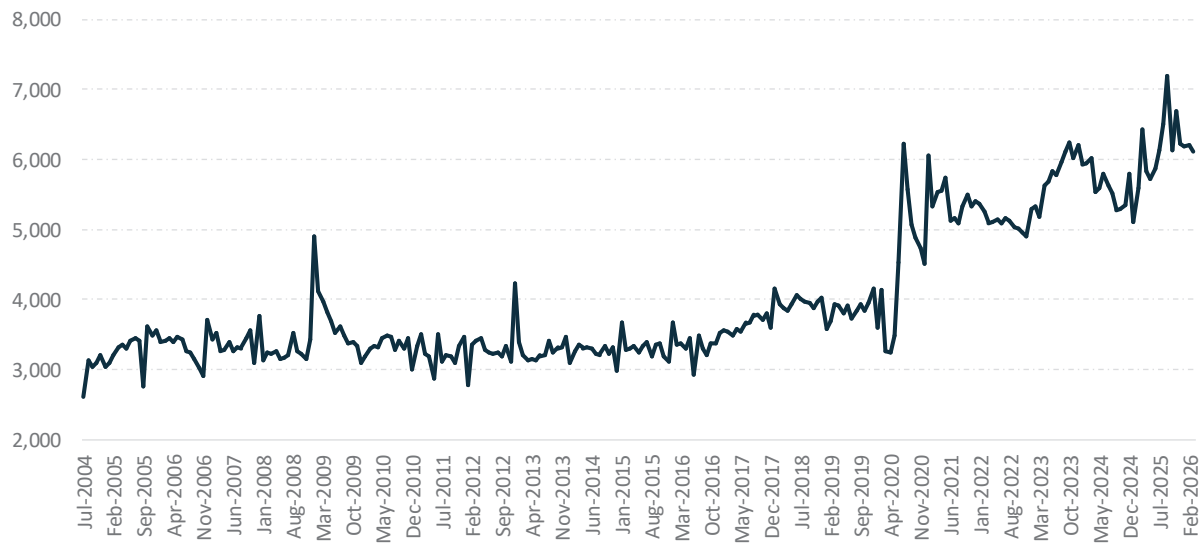
**Despite notable areas of emerging opportunity, the data show evidence of stagnating overall growth in capital investment and innovation in Minnesota.**

The most comprehensive data on business investment activity come from the Bureau of Economic Analysis (BEA), which produces quarterly measurements on private business spending on structures, equipment and intellectual property products in the U.S. economy. However, these official measurements are not available at the state level, leaving a gap in available understanding of how private business investments vary across locations. Piecing together various pieces of related spending and innovation measurements, we can construct at least a partial picture of state-level business investment and innovation activity. These measurements show a consistent pattern that Minnesota is lagging in growth of new investments and innovation activity over the past decade.

**Non-residential construction:** U.S. Census data on nonresidential construction spending by state show that Minnesota ranked 29<sup>th</sup> in total spending in the first half the decade (2020 to 2024 average) but ranked 45<sup>th</sup> in spending growth compared to the previous 5-year period and ranked 44<sup>th</sup> from 2014-2024. While this could reflect differences in cyclical investment patterns, it signals that Minnesota spending on construction of new facilities, expansions and upgrades has flattened so far this decade. Finding ways to increase investments in commercial and industrial sectors could improve economic activity in communities around the state.

**Research and development and new patents:** A similar pattern is evident with BEA data on research and development (R&D) activity at the state level. Minnesota ranked 16<sup>th</sup> in total R&D

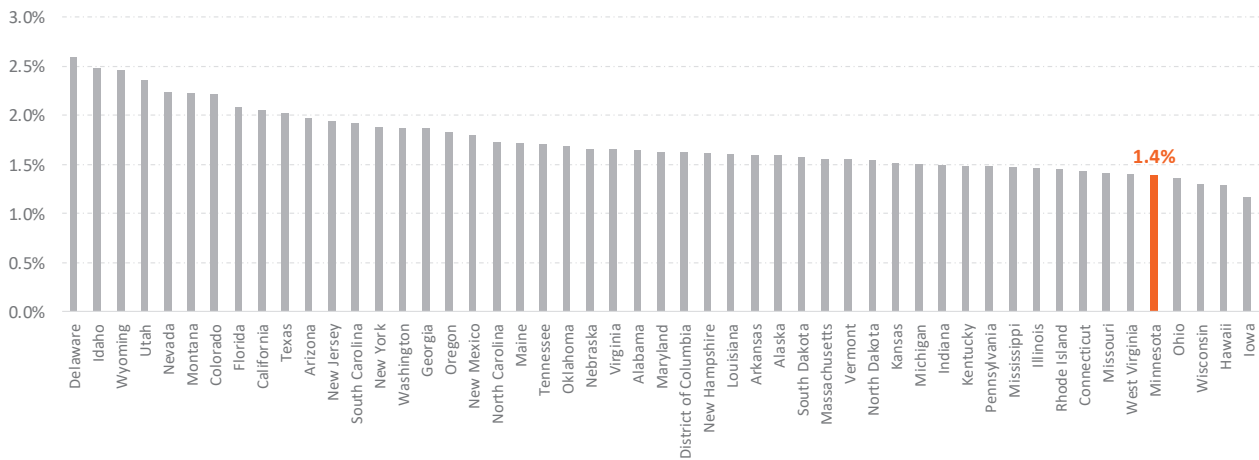
## Business formation rates continue to rise this decade



Source: U.S. Census Bureau, Business Formation Statistics

## Despite uptick in business formation, startup job creation continues to lag

Average net job creation as a share of total employment (firms age 0-5 years):  
2018-2023

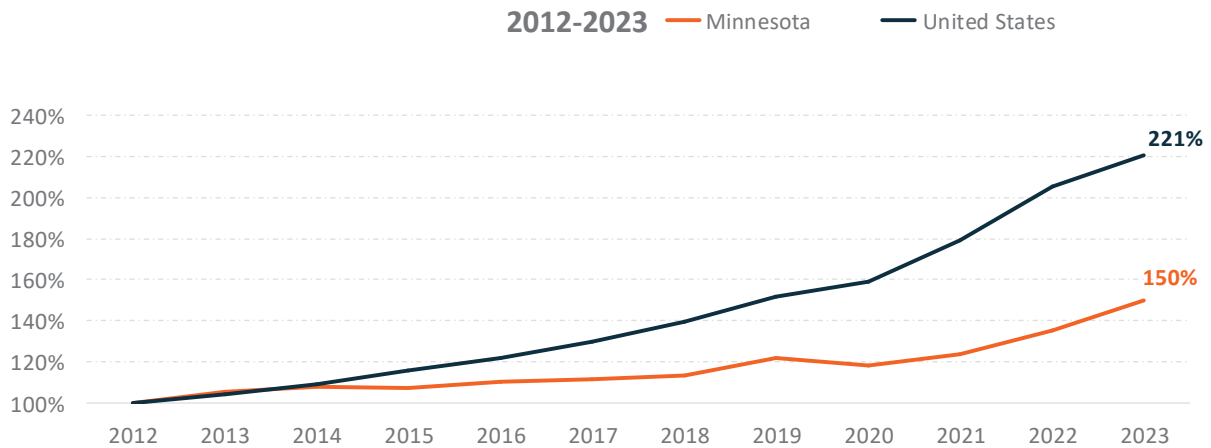


Source: U.S. Census Bureau, Business Dynamics Statistics

# Minnesota's economic imperative: A blueprint for growth

## R&D growth in Minnesota lagged U.S. over the past decade

R&D value-added (indexed: 2012 = 100%): United States and Minnesota



Source: U.S. Bureau of Economic Analysis

## Businesses expanding in Minnesota, but state continues to trail regional peers in the Midwest

State	Total projects 2025	Total project rank (out of 12 Midwest states)	Projects per capita 2025	Project per capita rank (out of 12 Midwest states)
Illinois	680	1	53.5	2
Ohio	467	2	39.3	4
Indiana	186	3	26.9	7
North Dakota	145	4	182	1
Michigan	140	5	13.8	12
Kansas	137	6	46.1	3
Wisconsin	118	7	19.8	9
<b>Minnesota</b>	<b>112</b>	<b>8</b>	<b>19.3</b>	<b>10</b>
Missouri	93	9	14.9	11
Iowa	91	10	28.1	6
Nebraska	45	11	22.4	8
South Dakota	31	12	33.5	5

Source: Site Selection Magazine, Conway Projects Database

Note: Conway Projects Database counts projects involving construction if they involve at least \$1 million in investment, creation of 20 new jobs or 20,000 new sq. ft. of space.

value-added from 2019 to 2023 (taking the average across this time span), but 47<sup>th</sup> in R&D growth compared to the previous five-year period from 2014-2018.

#### **Data on new patents reflect the same dynamic as well:**

Minnesota continues to produce among the most patents per capita of any state, ranking 5<sup>th</sup> in 2025. However, Minnesota ranks 43<sup>rd</sup> in the growth of new patents from 2015-2025, with the number of patents declining in the first half of the decade. While simply filing a patent does not necessarily equate to economic value, past research has found strong correlations between patenting levels and per capita income differences across states.

**Business expansion announcements:** Data on business expansions collected by Site Selection Magazine through their Conway Projects Database – which scrapes together thousands of public announcements on new facilities and expansions across the country – show that while project activity has seen an uptick in Minnesota this decade, the state continues to rank near the bottom of Midwest peers in total projects per capita. This presents a nuanced picture of the state’s economic development landscape. Minnesota is generating new opportunities in manufacturing, R&D, tech, health care, food and ag processing, data centers and more. Yet the evidence suggests Minnesota has more room for growth and should pursue strategies to better compete for investments in the region.

#### **Other estimates and related indicators of capital investment:**

Other indicators that may correlate with capital investment show similar trends of slow growth this decade. For example, examining GDP per employee in capital-intensive sectors may provide some proximate information about how investments are leading to output gains. From 2014 to 2024, Minnesota had the 38<sup>th</sup> highest growth in GDP per worker in the manufacturing sector, indicating that Minnesota may not be keeping pace with manufacturing capital investments that boost worker productivity. This mirrors estimates from the Center of the American Experiment showing that Minnesota ranked 37<sup>th</sup> in capital deepening – a measure of physical capital investment – this past decade, with a slowdown in manufacturing contributing to the overall lag in investment.

No single metric explains the totality of business investment activity. However, the available evidence suggests that Minnesota has experienced slow or stagnating growth in new spending and innovation activities that could help spur productivity and broader economic growth.

## **Strategies to unlock investment and innovation**

Minnesota should take proactive steps to encourage greater levels of capital investments, startup growth and innovation. These investments must occur broadly across industries, regions and sizes of businesses to meaningfully impact overall growth in the state’s economy. Five strategic initiatives could help unlock new investment activity in coming years.

#### **RECOMMENDATION:**

**Develop a clear economic vision that guides priorities across agencies and informs policy deliberations.**

Input from business leaders, site selectors and economic development professionals reveal a fragmented and inconsistent approach to welcoming business investment in the state. These leaders described that long-term investment decisions require certainty and predictability in a state’s policy and regulatory climate. Minnesota’s approach has varied widely, creating less certainty for businesses interested in investing in new activities in the state.

For example, Minnesota has pursued numerous policies and economic development initiatives in recent years to incentivize investments in R&D, data centers, advanced manufacturing and clean-tech industries. At the same time, legislative and regulatory bodies have simultaneously pursued actions to hinder these same types of activities from moving forward. This stands in contrast to strategic efforts being pursued in other states.

Creating greater predictability, alignment and coordination is a responsibility shared across a variety of local and state entities. However, state leadership can play an outsized role in setting the vision and priorities for how the state will compete for business investments and manage the complex issues that may arise in various economic development projects.

The economic development publication, Area Development, notes in its 2025 Top States for Business the critical role of predictability and alignment: “The states that perform well aren’t just ‘pro-business.’ They’re aligned. That word — alignment — came up repeatedly in consultant feedback this year. It’s not enough to have programs on paper. It’s about whether those programs translate into on-the-ground responsiveness across agencies, utilities, and educational institutions. And whether that alignment holds under pressure.”

# Minnesota's economic imperative: A blueprint for growth

Some examples:

The next governor could issue a clear, statewide vision for welcoming business investment and establish initiatives to create more consistency in how that vision is supported across agencies and legislative actions. While this wouldn't create consensus on every issue, it could provide some guideposts that create more clarity and consistency in how the state approaches new investments.

Minnesota's local and state economic development authorities could play a stronger role in informing policymakers and other agency leaders about issues that impact project outcomes. This includes information about targeted economic development tools (e.g., incentives) but would extend beyond that to other regulatory factors that may impact businesses' investment decisions.

The Legislature could consider actions to require independent economic impact analyses of major policy and regulatory decisions to ensure that lawmakers understand the trade-offs involved in various proposals.

Local and state officials could engage in more direct business outreach activities to understand what companies need to invest in their operations in the state. This type of direct engagement can foster understanding, trust and channels for problem-solving that matter for new expansions and investments.

## **RECOMMENDATION:**

### **Streamline the process to expand or locate a business in Minnesota.**

States do not have to offer the largest incentives to compete for projects, but they do have to create fast and predictable pathways to get projects to the finish line. Minnesota should do this in partnership with local communities, site selectors and industry leaders both to gain their input and simultaneously demonstrate the state's commitment to supporting new projects. Four specific areas could yield benefits from such an approach:

**Permitting:** Minnesota has taken several actions to begin making the state's environmental permitting process faster and more transparent. These actions have yielded early improvements, but more needs to be done to create greater speed and consistency for projects requiring time-sensitive schedules. Local governments could follow a similar path, examining the various permitting processes that impact new development timelines. A combination of local and state permitting efficiency initiatives could help Minnesota better compete for a wide range of investments.

**Incentives:** While incentives do not typically play a decisive role in site selection decisions, they are important tools that can help get a project over the finish line. These programs should remain modest in scale but offer greater efficiency, flexibility and ease-of-use for businesses receiving awards. The state should review opportunities to streamline and potentially consolidate these programs to reduce complexity. Feedback from employers reveals that many businesses hire consultants or dedicate significant staff time to the application and reporting processes involved in these programs, creating barriers for small and mid-sized businesses. Assessing incentive programs in partnership with past recipients, consultants and economic development professionals could result in changes that maintain program goals and accountability while reducing the time and complexity involved in the process.

**Site availability and readiness:** Site readiness initiatives have become a growing economic development priority around the country in recent years. Not only do regions and states need to maintain available buildings and developable land, but many projects require sites that are already equipped with appropriate power and water infrastructure and other specifications. With project timelines becoming more compressed, the ability to offer suitable "shovel-ready" sites have become more critical than ever. Local and state economic development agencies could enhance site readiness efforts to better compete for investments.

**Workforce training:** Businesses increasingly make investment decisions based on the availability of talent and training programs that can support their specific workforce needs. Communities and states around the country are pursuing initiatives to offer customized workforce training solutions for companies looking to expand. Minnesota should assess ways to better leverage education and workforce training providers in business expansion and attraction processes, fostering streamlined coordination on the front-end of a project (see upskilling section for continued discussion on this topic). A more proactive, efficient workforce training system could not only increase skills for employees but secure more business investments.

## **RECOMMENDATION:**

### **Pursue long-term solutions to become more cost-competitive with regional and national peers.**

Minnesota's tax climate and overall cost of doing business have been perennial areas of concern and debate for years. While policymakers remain divided on these issues, there is growing reason to pursue long-term reforms to the state's tax system.

First, the state already has among the highest individual and corporate tax rates in the country and ranks 44<sup>th</sup> among states in tax

competitiveness according to analysis from the Tax Foundation. Minnesota also faces structural budget shortfalls in the coming years, as expenditures outpace revenue projections. This situation leaves Minnesota with difficult decisions ahead to balance the budget without putting greater strain on taxpayers, either through increasing state tax rates or shifting more burden onto local property taxes. The first-best option would be to advance policies that foster greater economic growth, thereby increasing revenues without raising rates. Pursuing such an outcome should be a bipartisan priority in the years ahead.

A first step could be to conduct a comprehensive assessment of the state's current tax system and model various reform scenarios to understand the trade-offs of existing policies and identify more optimal changes going forward.

For years, Minnesota has approached tax policy through a piecemeal approach, making decisions on individual provisions in response to impending sunset dates, changes to the federal tax code or short-term political pressures. This has left Minnesota with a tax climate that is uncompetitive both in its high rates and its unbalanced structure. Minnesota would benefit from a comprehensive review of how the various pieces of its tax system work together and propose a set of changes that encourage greater investment and growth while meeting the fiscal needs of the state.

#### **RECOMMENDATION:**

**Expand economic development initiatives around key sectors, driving messaging and programming to win investments.**

Minnesota has demonstrated that it can successfully compete for major investments in sectors where it combines existing industry strengths with coordinated, proactive economic development support. Targeted efforts—bringing together industry, higher education, workforce partners and state and regional agencies—have shown that alignment plays a critical role in shaping business location and expansion decisions. However, the state has an opportunity to build on this model by expanding the number of sectors and regions where this level of coordination exists.

**Minnesota should make speed-to-market and coordinated support a top priority in coming years. This initiative would build on recent environmental permitting reform actions but extend to the full process of expanding a business – from how initial projects are vetted to their final completion.**

An expanded, sector-driven approach would identify industries where Minnesota has a competitive advantage and align resources accordingly. For example, Minnesota has generated a growing number of projects in clean technology industries, but state and regional initiatives could more fully leverage the broader supply chains that support these sectors. This includes strengthening connections across minerals and mining, electrical components, metal fabrication and engineering services—industries that underpin and enable growth in emerging technologies. A more integrated approach would better connect regional strengths and support the development of deeper, more competitive industry clusters.

#### **RECOMMENDATION:**

**Continue enhancing Minnesota's startup and small business ecosystem to help firms scale-up in the state.**

Minnesota has made concerted efforts over the past decade to strengthen the capacity of its entrepreneurship ecosystem. These efforts have led to meaningful gains in startup funding, technical assistance and peer networks, and have coincided with an uptick in new business formation in recent years. While early progress

is encouraging, more must be done to expand access to resources and ensure that firms not only start in Minnesota, but scale here as well. Public programs can play an important supporting role, but a more robust, private sector-driven ecosystem will be critical to long-term success. This includes deeper engagement from large enterprises, investor networks, financial institutions and technical service providers to more fully support early-stage and high-growth companies.

Additionally, local and regional economic development efforts can address barriers to expansion for small businesses. For example, many initiatives are underway to increase the availability of suitable facility space for firms in food manufacturing, biotech and other industries. Expanding these efforts could help ensure that successful early-stage companies have the capacity to scale within Minnesota, rather than relocate or outsource key parts of their operations.

# Imperative: Upskill Minnesota's workforce

Workforce skills and capabilities are among the most important drivers of prosperity in the state. Economists refer to these qualities as human capital. As individuals attain higher levels of education, training and experience, they increase the quality and value of their work – improving both business performance and employee earning potential. Across the economy, these gains in human capital contribute to sustained growth in productivity, income and overall economic performance.

Strengthening the skills of the workforce is more important now than ever, as two significant economic shifts take hold. First, the total number of people in the workforce is expected to plateau over the coming decades. As a result, Minnesota will need to generate more growth from the quality of its workforce, not just from increasing its size. Second, advancements in AI are likely to reshape the tasks, tools and training required across a wide range of occupations. This will place new demands on education and workforce systems to adapt more quickly to changing skill needs.

Historically, states and regions have built human capital by increasing educational attainment – and for good reason. Higher levels of education are strongly linked to productivity and long-term economic prosperity. As the Brookings Institution has noted, “educational attainment – as measured by high school and college completion – is one of two main factors (along with patenting rates) that explain the long-run divergence in state-level per capita incomes.”<sup>21</sup> This has been a long-standing strength for Minnesota. The state has among the highest educational attainment rates in the country, helping to support above-average income levels and create a talent base for Minnesota's diverse industry base.

However, Minnesota's strong starting point also raises an important question: how can the state continue to build its talent base into the future? There may be natural limits to how much further educational attainment can increase in a state that already has a highly educated workforce.

**While attainment will remain important, it is unlikely to be sufficient on its own to meet future workforce needs. Increasing focus on educational quality, alignment with industry demand and upskilling the existing workforce will be essential to help workers thrive and sustain long-term growth.**

Further, the systems that educate and train individuals may need to adapt to rapid changes in technology and industry needs.

This changing economic reality must be matched by strategic changes in how Minnesota helps individuals develop and maximize their skillsets. Improving core educational outcomes must remain a priority, ensuring that students build foundational skills in math and reading, along with the communication and critical thinking abilities needed across careers. This is particularly urgent given the sharp decline in 4<sup>th</sup> and 8<sup>th</sup> grade reading and math scores over the past decade.

At the same time, the state should consider broader changes to how it supports training and skill development beyond the classroom. Leading states are developing more flexible and demand-driven training models that better connect workers to employer needs. Expanding programs that place workers and employers at the center—and emphasize skill development, not just job placement—can help drive opportunity and support growth in the state's most dynamic sectors.

This section explores recent trends and outlines strategies to strengthen the skills and productivity of Minnesota's workforce.

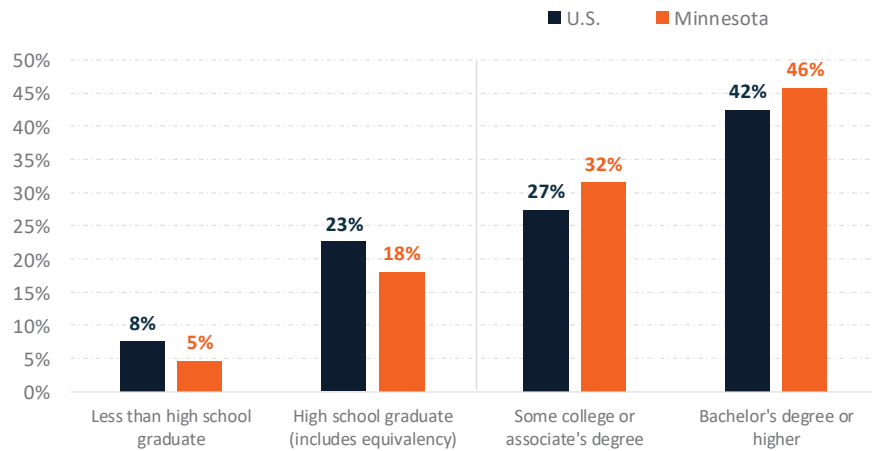
## Trends in Minnesota's workforce skills and capabilities

Minnesota has among the most educated workforce in the nation, but further gains have increased slowly.

In 2023, Minnesota had the second highest share with at least some postsecondary education.<sup>2</sup> In 2024, only 5% of Minnesota's workforce had less than a high school education, compared to 8% in the U.S. Yet, while high education levels are a strength, there may be natural limitations to how much attainment can increase further. This dynamic appears evident in Minnesota, as educational attainment increased modestly over the past decade, with the share of workers with some postsecondary or higher increasing from 74% to 77% from 2014 to 2024. The largest gains were among bachelor's degree holders, which increased from 39% to 46% of the workforce. While Minnesota still has room for further gains in education levels, it will be increasingly necessary to look beyond attainment alone to grow the skills of the workforce. This will include focusing on educational quality, alignment to industry demand and further training of the existing adult workforce.

## Minnesota's workforce has among the highest education attainment rates in the nation

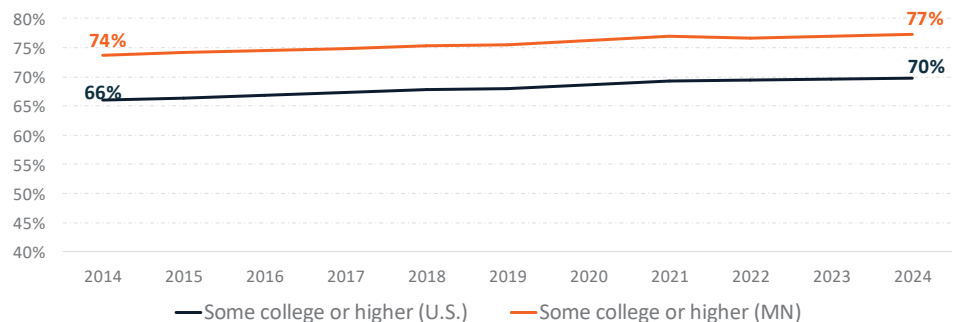
Share of the labor force (aged 25-64) by educational attainment: 2024



Source: U.S. Census, American Community Survey 1-year estimates, 2024

## With Minnesota already having a highly educated workforce, further gains are increasing slowly

Share of labor force with some college or higher: Minnesota and United States



Source: U.S. Census, American Community Survey 1-year estimates, 2024

# Minnesota's economic imperative: A blueprint for growth

## Evidence shows continued concerns regarding education outcomes and alignment to high-productivity industries.

While Minnesota continues to rank high in educational outcomes overall, K–12 test scores in reading and math have dropped sharply in both 4th and 8th grades—declining faster than the national average. There is also evidence that the state's education system is not adequately aligned with the needs of advanced sectors. For example, data from the National Science Foundation show that the share of Minnesota higher education degrees awarded in science and engineering fields has flattened over the past decade and declined since 2017, even as national shares continue to rise. This may signal a need to better align Minnesota's talent base to the needs of advanced industries that drive innovation and growth.

## The share of Minnesota's workforce employed in high productivity industries declined this decade, as health care services drove job growth.

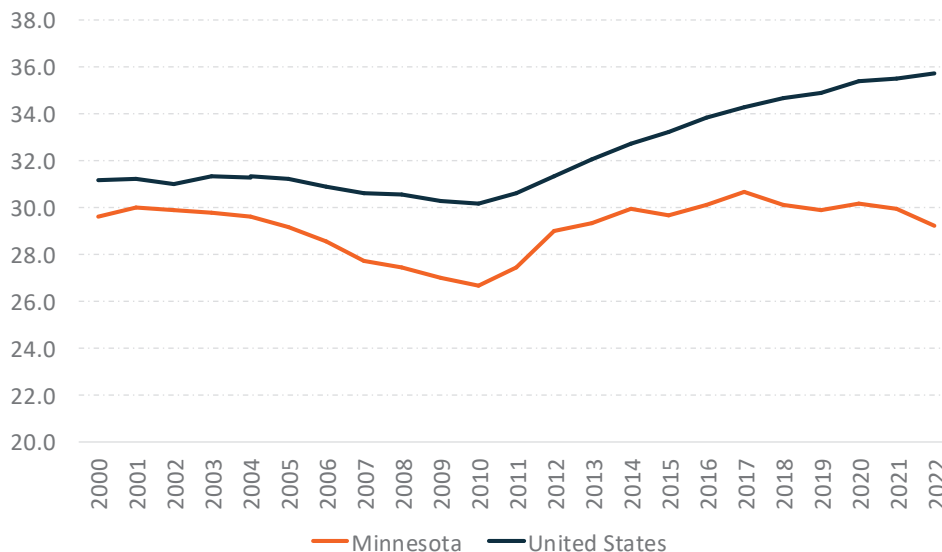
Minnesota's job growth from 2019 to 2025 was concentrated in sectors with below-average GDP output per worker, potentially

contributing to slower per capita economic growth. The health care and social assistance sector led this growth, adding more than 52,000 jobs—far outpacing all other sectors. While these jobs play a critical role in the economy, output per worker in the sector is below the statewide average. This concentration of growth also raises important questions about the risks of overreliance on a single sector, particularly in rural communities where health care often serves as the dominant source of employment.

At the same time, industries with the highest output per person had net declines in total employment this decade. From 2019 to 2025, Minnesota had a decline in total employment in 5 of 10 industries with the highest GDP output per person, including finance and insurance, information, management of companies (i.e., corporate headquarters), manufacturing and mining. This suggests that Minnesota should pursue ways to spur more growth – on both the supply and demand side – in high productivity and wage sectors. For example, local and state workforce programs could look to help underemployed workers move into higher-wage career paths in manufacturing, distribution, utilities, construction and other fields.

## Share of science and engineering degrees plateauing in Minnesota but growing in the U.S.

Science and Engineering Degrees as a Percentage of Higher Education Degrees Conferred: Minnesota and United States, 2000–2022



**Minnesota rank**  
2002 = 27<sup>th</sup>  
2022 = 44<sup>th</sup>

Source: National Science Foundation

**Minnesota had double-digit increases in workforce participation for underrepresented groups since 2010.**

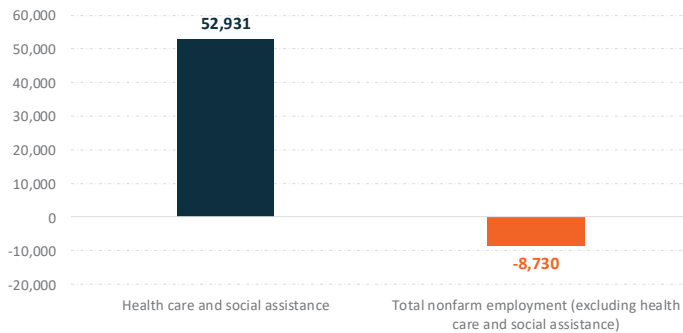
Reducing disparities in employment can help boost prosperity and human capital in the workforce. The evidence shows positive momentum for Minnesota on this front in recent years.

These gains increase both the size of the workforce and may also contribute to per capita output growth in the state, as more people are brought off the economic sidelines. This yields multiple benefits by improving economic outcomes for individuals, increasing workforce availability for employers and supporting higher output in the broader economy.

**Labor force participation rates among working-age adults increased by 12 percentage points for populations of color in Minnesota from 2011-2024. Similar gains exist for Minnesotans with a disability, with participation rates increasing by 11 percentage points since 2010.**

**Job gains concentrated in health care sector this decade**

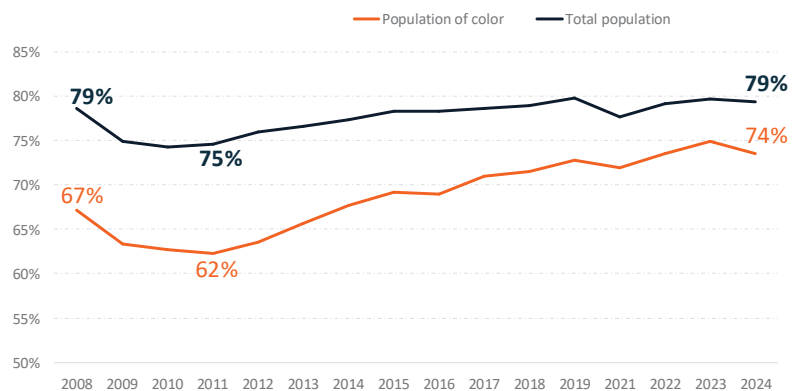
Change in total employment: Minnesota  
2019-2025



Source: Bureau of Labor Statistics, Current Employment Statistics

**Labor participation rates for population of color increased by 12 percentage points since 2011, adding 107,000 people to the workforce**

Share of adults (16-64 years old) participating in the workforce: Minnesota  
2008 - 2024



Source: U.S. Census, American Community Survey 1-year estimates via MN Compass

# Minnesota's economic imperative: A blueprint for growth

## Strategies to upskill Minnesota's workforce

As workforce growth slows, Minnesota's economic future will depend on how effectively it develops the skills of its existing workforce. This requires a workforce system that is more responsive, employer-connected and focused on skill development. Two areas should be further explored to meet Minnesota's talent imperative.

### RECOMMENDATION:

**Pursue a renewed vision and set of reforms to Minnesota's workforce development system, shifting from a provider-centric model to an employer- and worker-centered system.**

Minnesota's workforce development system plays an important role in the state's labor market, helping thousands of Minnesotans access employment and training opportunities each year. However, the state must assess how this system can adapt to changing economic realities. As Minnesota enters a sustained period of slow population and labor force growth, the focus should shift toward a talent development system that strengthens skills and drives productivity.

### A high-performing system must be able to:

- Help job seekers access employment and sustain workforce participation across communities
- Support workers in developing and advancing their skills throughout their careers—not just at entry or transition points
- Respond quickly to technological and industry changes
- Deliver customized training solutions that meet employer demand and support growth in key sectors

Minnesota's current system places significant emphasis on job placement, workforce inclusion and provider capacity. While these efforts remain important, the state should consider broader reforms to better align with a changing economy. These reforms could focus on three areas:

Increase transparency and align funding with outcomes. The

size and complexity of Minnesota's workforce system make it difficult to assess program performance and compare outcomes across initiatives. There is limited public transparency regarding how funds are allocated and, more importantly, how outcomes differ across programs. The Office of the Legislative Auditor has not conducted a comprehensive review of workforce programs since 2010, leaving a gap in understanding how resources can be most effectively deployed.

National research suggests that workforce programs produce uneven results, with employer-driven models often outperforming those that operate without direct employer involvement.<sup>3</sup> Minnesota should conduct a comprehensive review of its workforce programs, improve transparency and align funding with the most effective approaches.

Rebalance the system toward skill development and employer-connected programs. Shifting from a job placement-centric model to a skill development-focused system would require greater emphasis on customized, employer-connected training. Programs such as the Minnesota Job Skills Partnership, Dual Training Pipeline, Job Training Incentive Program, and Automation Training Incentive Program illustrate how on-the-job skill development can benefit both workers and employers.

However, these programs currently represent a small share of overall funding and focus. Expanding their role could better position the state to support career advancement, strengthen workforce capabilities and respond more quickly to evolving skill demands. For example, recent trends in Job Skills Partnership awards suggest growing demand for training in digitalization, productivity and AI-related skills.

In addition, Minnesota could explore ways to expand sector-based training approaches, where employers within an industry collaborate with education and training providers to align curriculum with workforce needs. Early efforts in industries such as semiconductor manufacturing provide a model that could be replicated across other key sectors. Such sector-training models have generated some of the most promising outcomes in workforce development programs across the country.<sup>4</sup>

Modernize workforce training incentives. A third component of a workforce reform agenda would be to modernize employer-focused workforce programs to increase access, participation and impact. Employer feedback indicates a need for greater awareness of available programs, as well as improvements to eligibility, flexibility and administrative requirements. Differences across programs—in geography, company size,

allowable uses, training providers and worker eligibility—may limit their overall effectiveness.

Minnesota should assess best practices from other states that have developed more streamlined and scalable workforce training models that support both skill development and business expansion. An annual survey of site selection consultants shows that states like Virginia, Georgia and South Carolina consistently rank among the top states for effective workforce training programs.<sup>5</sup> For example, the Georgia Quick Start program offers company-specific workforce training to businesses expanding in the state. The program has garnered wide recognition for effectively training workers and leveraging investments in the state.<sup>6</sup> Virginia’s Talent Accelerator Program has gained similar praise for creating custom recruiting and training services at no cost to companies expanding in the state.<sup>7</sup> These programs create a win-win solution by both boosting skills and earning-potential for local workforces and attracting new investments to the state.

Minnesota could explore similar opportunities to consolidate overlapping programs into a smaller number of flagship initiatives that expand participation, improve outcomes and support employer investment. Beyond direct program impacts, such efforts could generate broader benefits by identifying and scaling effective training models that can be replicated across the business community.

#### **RECOMMENDATION:**

##### **Strengthen business–education partnerships.**

Fully meeting Minnesota’s workforce needs will require strategies that extend beyond traditional workforce development programs. A central component will be strengthening direct partnerships between businesses, educators and training institutions across the state. While some of this work can be supported by public programs, a larger share will occur through more organic, employer-driven relationships—often supported by private investment and flexible program models.

These partnerships offer important advantages in speed and adaptability, which are increasingly necessary as skill needs evolve. For example, new AI tools are being adopted across a wide range of industries and occupations. However, the ability to use these tools effectively depends on how they are applied in specific workplace contexts. Developing those capabilities requires closer collaboration between employers—who understand real-world applications—and educators, who can translate those needs into training. Neither can fully meet this challenge on their own.

As a result, more intentional efforts are needed to bring together business leaders, educators and intermediaries that can help facilitate connections and scale effective models across sectors. These initiatives would bring strategic direction to experiential learning opportunities like internships and apprenticeships, which are increasingly useful entry points for employers and workers.

Minnesota has strong examples to build on. Programs such as the Minnesota Chamber Foundation’s Business Education Network (BEN), supported by local chambers across the state, demonstrate how coordinated partnerships can create effective pathways from education into employment. Expanding and adapting these models could help Minnesota develop a more responsive and connected talent system that keeps pace with changing workforce needs.

# Imperative: Lead the Midwest in talent retention and attraction

Minnesota is undergoing a fundamental population shift. For decades, the state experienced steady growth in the number of people living and working here. That dynamic has changed. Declining birth rates, an aging population and low net migration have slowed population and labor force growth in recent years. From 2019 to 2024, the number of people in the workforce grew by just 0.2% annually, leaving Minnesota with essentially flat labor force growth.

Population forecasts suggest this trend is likely to continue for the foreseeable future. Minnesota's labor force is expected to grow by just 0.2% annually through the middle of the century. Over the next ten years, from 2026 to 2036, the state's workforce is projected to increase by 55,000 people. This represents a sharp slowdown compared to earlier periods of expansion. As a reference point, Minnesota's workforce grew by 427,000 people from 1986 to 1996. Slower workforce growth will act as a persistent constraint on the state's economic trajectory in the years ahead.

In this environment, migration becomes the central lever for growth. This challenge has two dimensions. First, Minnesota must compete more effectively for domestic talent. That will require strategies that build on the state's strengths while addressing barriers—particularly around costs and capacity—that limit in-migration. Second, international migration will remain essential. Immigration has long played a critical role in Minnesota's economic performance, supporting labor force growth and contributing to productivity through entrepreneurship and high-skilled employment in key sectors of the innovation economy.

**The implication for Minnesota is that strengthening regional competitiveness may have a greater impact than efforts focused on attracting residents from more distant parts of the country.**

Meeting this challenge will require a shift in focus. Efforts to attract talent cannot rely solely on marketing or promotion; they must address the underlying economic and policy conditions that shape migration decisions. This includes improving housing availability, improving tax competitiveness, recruiting young talent through higher education, supporting effective legal immigration pathways and ensuring a dynamic business climate that generates opportunity.

This section outlines recent migration trends and explores the strategies that can help Minnesota become a leading destination for talent in the Midwest.

## **Migration trends in Minnesota**

**International migration sustained population growth in recent decades, while Minnesota experienced negative net domestic migration in 20 of the past 25 years.**

After a decade of in-migration from both other states and abroad during the 1990s, the state's migration patterns shifted after 2000. Since then, Minnesota has seen consistent gains from international immigration alongside persistent domestic migration losses to other states. As a result, international migration has accounted for a growing share of total population growth, particularly as natural population growth has slowed. From 2020 to 2025, international migration added 96,812 people to Minnesota's population, compared to 63,075 from natural change (births minus deaths), while net domestic migration totaled -37,202.

**Minnesota has relatively strong retention rates of existing residents. But it has among the lowest rates of attracting new people into the state.**

## Does Minnesota really need more people in the workforce?

Some may question the need for additional population and labor force growth. With the job market showing signs of cooling and advancements in AI potentially disrupting labor demand, how many more people does Minnesota really need? Further, shouldn't the goal be more output per person, not simply adding more people? Both points are valid and warrant a measured approach. However, the case for steady growth remains stronger than the alternatives of stagnation or population decline. Four considerations stand out:

**The impact of AI on labor demand remains uncertain.** While AI could affect future employment, there is little evidence that it is materially changing aggregate labor demand today. Some occupations may see reduced demand, but others are likely to grow, and entirely new roles may emerge—consistent with past technological shifts. Most economic forecasts continue to project overall employment growth in the years ahead, making it premature to assume a sustained decline in labor demand.

**Workforce growth is needed to offset retirements.** Minnesota will need additional workers simply to backfill positions vacated by an aging workforce. For example, the Department of Employment and Economic Development projects that manufacturing employment will increase by 11,000 jobs from 2022 to 2032. Yet total job openings—including retirements and other separations—are projected

to reach 228,000 over that same period. Expanding the workforce will be necessary to fill critical roles across the economy, from nurses and first responders to electricians and engineers.

**Productivity and workforce growth are complementary.** Productivity growth and labor force growth are not mutually exclusive and may, in fact, reinforce one another. Firms facing persistent labor shortages often have less capacity to innovate or invest in productivity-enhancing technologies. At the same time, businesses tend to direct capital toward regions with growing populations and a reliable workforce. A larger, more dynamic workforce can therefore help unlock productivity gains.

**Growth supports stronger, more resilient communities.** A growing population and workforce can foster optimism and signals economic vitality. Communities that are expanding—building housing, growing local businesses and broadening their tax base—tend to deliver stronger outcomes for residents and generate a sense of momentum. By contrast, stagnation or decline can contribute to dissatisfaction and strain local economies. In practice, more Minnesota communities have been challenged by population loss, out-migration and worker shortages than by the pressures of rapid growth. While fast growth can create challenges—such as housing affordability, congestion and land-use conflicts—the state's underlying demographic trends make it unlikely that most communities will face these pressures.

In a typical year, around 100,000 people move to Minnesota from other states, and slightly more than that leave to live elsewhere. The net difference between these flows is what ultimately drives population growth. However, this topline number does not indicate which side of the equation matters more—does Minnesota have a problem with too many people leaving, or too few people moving in?

Data from the U.S. Census Bureau's American Community Survey suggest that Minnesota faces more of an attraction challenge than a retention problem. From 2019 to 2024, Minnesota had an out-migration rate of 2.0%, the 14th lowest among states. In other words, a smaller share of Minnesota's population moved away than is typical nationally. However, the

state ranked 42nd in its rate of in-migration, placing it among the weakest performers in attracting new residents.

This distinction is important. It suggests that improving net migration will depend more on strengthening Minnesota's ability to attract new residents than on reducing out-migration. Strategies to retain existing residents still matter, but stronger overall migration outcomes will require a greater focus on the attraction side of the equation.

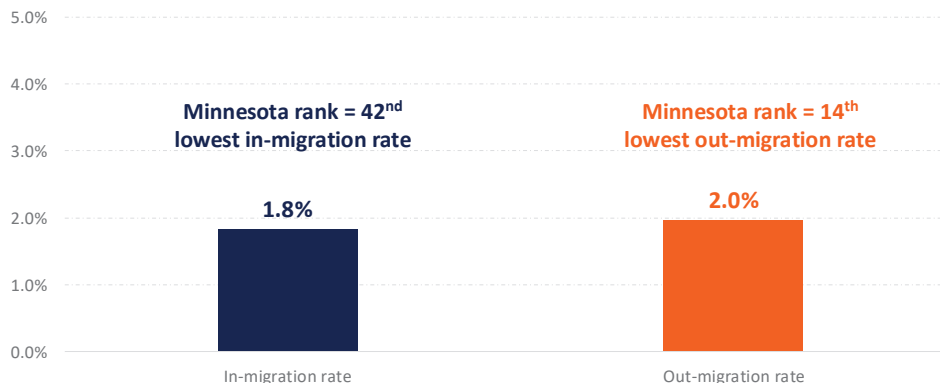
### College-age young adults are key drivers of domestic migration outcomes.

Research from the Minnesota State Demographic Center

# Minnesota's economic imperative: A blueprint for growth

## Minnesota has an attraction problem, not a retention problem

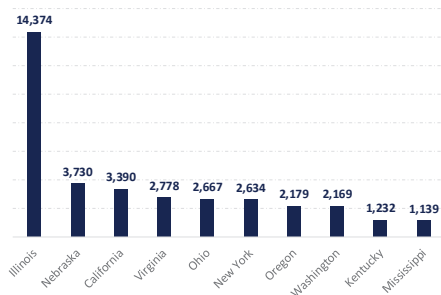
Minnesota in-migration and out-migration rate and national rank: 2024



Source: U.S. Census Bureau, ACS 1-year estimates

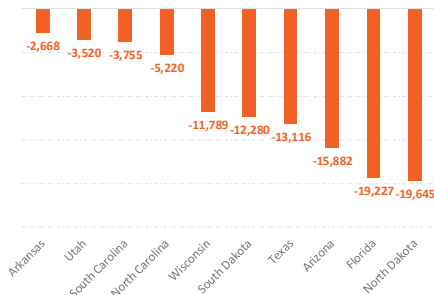
## Largest net domestic migration gains coming from Illinois, while net losses coming from neighboring states and large sunbelt states

In-bound migration to Minnesota: 2019-2024



Source: U.S. Census Bureau, ACS 1-year estimates

Out-bound migration from Minnesota: 2019-2024



## Neighboring states play an outsized role in migration to and from Minnesota.

State-to-state migration flow data from the American Community Survey provide insight into where Minnesota attracts new residents from and which states residents move to when they leave. From 2019 to 2024, Minnesota's largest net gains came from Illinois, but the state experienced sizable net losses with other regional peers, including North Dakota, South Dakota and Wisconsin. These neighboring states accounted for three of the top six net loss relationships for Minnesota during this period. This pattern is consistent with national migration trends, as people are more likely to move to nearby states than to ones farther away.

## Net domestic migration turned positive in 2025, marking a potential opportunity for improving outcomes going forward.

U.S. Census Population Estimates data show that, for the first time this decade, Minnesota experienced net positive domestic migration from June 2024 to June 2025, increasing by an estimated 8,300 people. This

highlights the role that college students play in domestic migration flows to and from Minnesota. Their 2024 analysis found that the 15-19 age cohort experiences the largest net losses of any group, with college-attending young adults accounting for the largest share of those moving across state lines.<sup>8</sup> At the same time, Minnesota sees net gains among individuals in their mid-20s to mid-40s, suggesting that some young people who leave for college return as they begin their careers but not in sufficient numbers to offset earlier losses. Improving Minnesota's overall migration outcomes will therefore require a stronger focus on retaining and attracting young people during the transition from high school to college and into early careers.

follows two preceding years of improving trends, as net losses declined from the larger outflows seen between 2020 and 2022. It is too early to determine whether this represents a sustained shift in migration patterns. However, the state should look for opportunities to build on this recent momentum and identify strategies to maintain and strengthen these gains over time.

## Net international migration slowed from the middle of 2024 to mid-2025, with future immigration levels remaining uncertain.

Contrary to recent improvements in domestic migration, international migration to Minnesota slowed sharply from 2024 to 2025, contributing to slower overall population growth.

Future immigration levels remain uncertain, as the lingering effects of Operation Metro Surge and restrictive federal immigration policies will not be fully understood until additional Census data become available in 2026 and 2027.

## Strategies to lead the Midwest in attracting talent

Minnesota should pursue a statewide talent attraction strategy that builds on the state's strengths while addressing limitations in costs and capacity that may hinder migration to the state. Such initiatives would extend beyond marketing campaigns or local and regional promotion activities that, while serving a useful function, may not be sufficient to impact overall migration trends.

### RECOMMENDATION:

**Find breakthrough solutions to build more housing supply across Minnesota.**

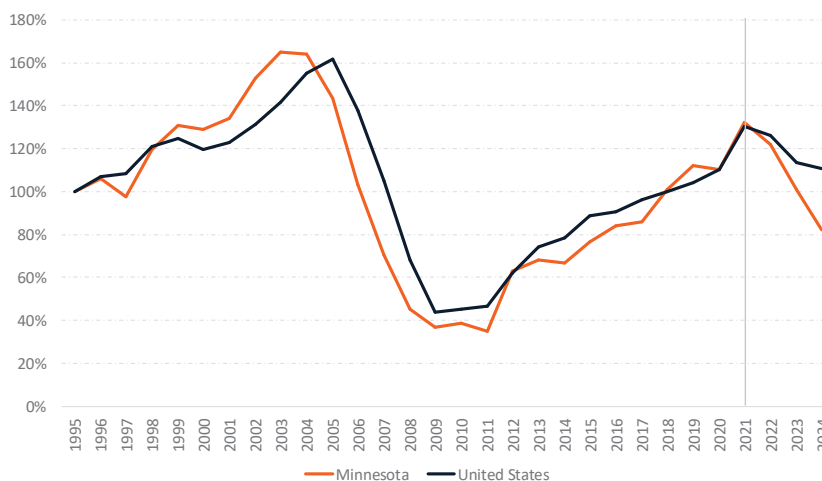
Minnesota's ability to grow its population has been constrained by limited housing inventory and insufficient levels of new construction to meet demand. These challenges are most pronounced in Greater Minnesota but affect communities across the state. Further, the trend is moving in the wrong direction, with permits for new housing units declining since 2022 and falling more sharply than overall U.S. housing construction activity.

Finding breakthrough solutions to boost housing supply would accomplish two important goals simultaneously: increasing both availability and affordability. New housing units create opportunities for individuals and families to move into a community, while a greater supply can also promote price stability as it comes into better balance with demand. Indeed, expanding supply is the most effective long-term affordability strategy across a range of community assets—from housing to energy to child care.

Reducing external costs and constraints on supply—whether through changes in local zoning, innovations in building

## Minnesota housing construction fell sharply after a decade's-long rise

New housing permits index: Minnesota and United States



Source: U.S. Census Bureau

**The implication for Minnesota is that strengthening regional competitiveness may have a greater impact than efforts focused on attracting residents from more distant parts of the country.**

methods or reforms to state building regulations—should be a priority. Doing so would benefit current residents while also increasing the capacity of communities to attract new ones.

Of course, identifying solutions that work is not easy. Efforts have been underway for years to address the complexity of this issue. But the state should assess the effectiveness of existing strategies—at both the local and state levels—and double down on those with the strongest evidence of success. Moving to a more focused set of high-impact approaches could help the most effective ideas to scale.

### RECOMMENDATION:

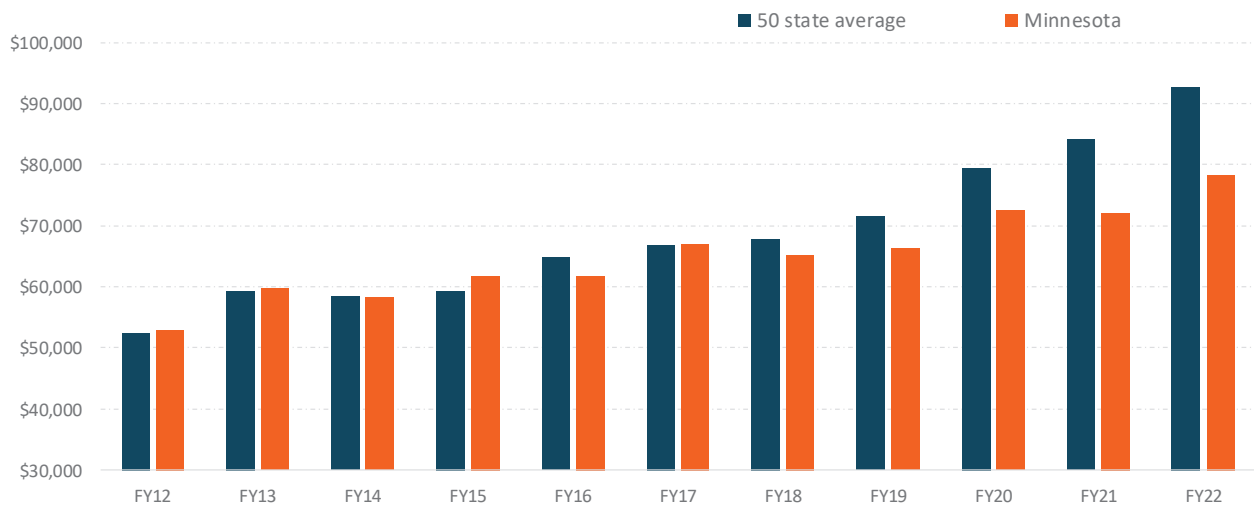
**Examine the role of tax policy in migration outcomes.**

As described earlier (see business investment and innovation section), Minnesota should assess the trade-offs within its current tax system and identify changes that could improve business investment and migration outcomes. Evidence suggests that Minnesota's in-migration challenges extend to individuals with greater tax exposure. For example, analysis from the Center for Fiscal Excellence found that while Minnesota

# Minnesota's economic imperative: A blueprint for growth

## Minnesota ranks near bottom of states for in-migration of high-income earners

Adjusted gross income per state in-migrant



Source: Center for Fiscal Excellence, IRS, U.S. Census Bureau

### Top 15 states - Net domestic migration 2020-2025

State	Tax Competitiveness Rank 2025	Net domestic migration ranking 2020-2025	Net domestic migration 2020-2025
Florida	5	1	890,348
Texas	7	2	812,735
North Carolina	13	3	476,921
South Carolina	29	4	379,062
Tennessee	8	5	292,727
Arizona	14	6	282,626
Georgia	18	7	232,849
Alabama	37	8	141,048
Idaho	9	9	139,784
Oklahoma	19	10	107,244
Nevada	20	11	96,046
Arkansas	34	12	83,544
Montana	6	13	59,510
Maine	26	14	56,775
Missouri	12	15	56,671

Source: U.S. Census, Tax Foundation

### Bottom 15 states - Net domestic migration 2020-2025

State	Tax Competitiveness Rank 2025	Net domestic migration ranking 2020-2025	Net domestic migration 2020-2025
Connecticut	47	37	-27,919
Virginia	30	38	-29,169
Ohio	39	39	-30,482
District of Columbia	48	40	-33,903
Minnesota	44	41	-37,202
Pennsylvania	36	42	-54,290
Hawaii	41	43	-59,402
Michigan	16	44	-65,699
Maryland	46	45	-134,770
Louisiana	31	46	-143,806
Massachusetts	43	47	-182,145
New Jersey	49	48	-222,194
Illinois	38	49	-456,378
New York	50	50	-1,106,013
California	48	51	-1,691,867

maintains relatively strong retention rates among high-income tax filers (those earning above \$200,000), its in-migration rate for this group ranked 48th in the nation—ahead of only Illinois and California.<sup>9</sup>

Other studies suggest that state tax policies can influence interstate migration decisions, particularly for higher-income individuals. While the research on this topic is complex and not always conclusive, it points to the importance of examining how Minnesota’s tax structure may shape migration patterns. State agencies and independent organizations should further evaluate these dynamics and identify potential policy changes that could strengthen the state’s ability to attract talent.

#### **RECOMMENDATION:**

##### **Leverage higher education institutions to attract more young talent to the state.**

Targeted retention and attraction strategies aimed at college-age young adults represent one of the most promising ways to influence overall migration trends. Recent high school graduates move across state lines at higher rates than any other age group and have a disproportionate impact on net domestic migration in Minnesota, with more young adults leaving the state than moving to it.

The state could consider strategies that leverage Minnesota’s diverse network of colleges and universities to increase both retention and attraction among this key demographic. What might this look like? A range of approaches is possible, but one could involve collaboration among higher education institutions, business leaders and economic developers to share aggregate data, trends and best practices for recruiting out-of-state students and strengthening connections to the local job market to retain them after graduation.

While Minnesota’s colleges and universities compete for enrollment to some extent, they also complement one another and could benefit from coordinated efforts that position Minnesota as a top destination for young talent from across the country.

#### **RECOMMENDATION:**

##### **Strengthen legal immigration pathways to Minnesota communities and businesses.**

Immigration will remain a critical component of Minnesota’s future economic success. International migration accounts for

a growing share of both population and labor force growth in the state, with foreign-born workers filling roles in key sectors such as manufacturing, health care, hospitality, construction, technology and corporate headquarters. The surge in federal immigration enforcement activity in early 2026 underscored the need for broader reforms to the U.S. immigration system to improve legal pathways and protections for individuals seeking to live and work in the country.

In the meantime, state and local strategies can play a meaningful role in shaping outcomes. While federal policy sets the overall framework, states compete within that system based on how effectively they attract, integrate and retain international talent. Strengthening Minnesota’s position will require a more intentional, coordinated approach across three key areas:

##### **Retaining the international students Minnesota already attracts:**

Minnesota’s colleges and universities bring in highly skilled students from around the world, many in high-demand fields. Improving the transition from education to employment—through stronger connections to employers and clearer pathways into the workforce—could increase the share of these individuals who remain in the state after graduation.

**Enabling employers to better access global talent:** Minnesota businesses play a central role in attracting and retaining talent but often face practical barriers in doing so. Efforts that reduce complexity, expand awareness of available pathways and strengthen connections between employers and internationally trained workers could help more firms tap into this talent pool.

##### **Accelerating workforce integration for new arrivals:**

Community-based organizations and workforce partners are critical in helping newcomers connect to employment and build long-term stability. Continued focus on workforce entry, skill alignment and reducing barriers to employment can help ensure that immigrants are able to contribute quickly and fully to the state’s economy.

Minnesota already demonstrates strong outcomes in integrating foreign-born workers, as reflected in high labor force participation rates. Building on this foundation with more coordinated and targeted strategies can help the state compete more effectively for international talent and sustain long-term economic growth.

# Conclusion

Minnesota stands at an important crossroads. The state's strong economic fundamentals provide a foundation for future growth. Yet the data make clear that these strengths have not fully translated into economic performance that keeps pace with the nation. Closing this gap will require a renewed focus on the drivers of growth, particularly investment, innovation, talent and migration. In an environment shaped by demographic constraints, sustained prosperity will depend less on adding workers and more on enabling businesses and individuals to produce, innovate and grow at higher levels.

The path forward will require a shared commitment to Minnesota's economy. Business leaders, policymakers, educators and communities all have a role to play in advancing shared priorities that expand opportunity and strengthen Minnesota's competitive position. The recommendations outlined in this report are not exhaustive, but they offer a clear starting point for aligning efforts around growth. By building focused efforts around investment, workforce skills and talent attraction, Minnesota can position itself to deliver stronger economic outcomes and a higher quality of life for Minnesotans in the years ahead.

## Thank you to our current investors



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380 St. Peter St., Suite 1050, St. Paul, MN 55102

