

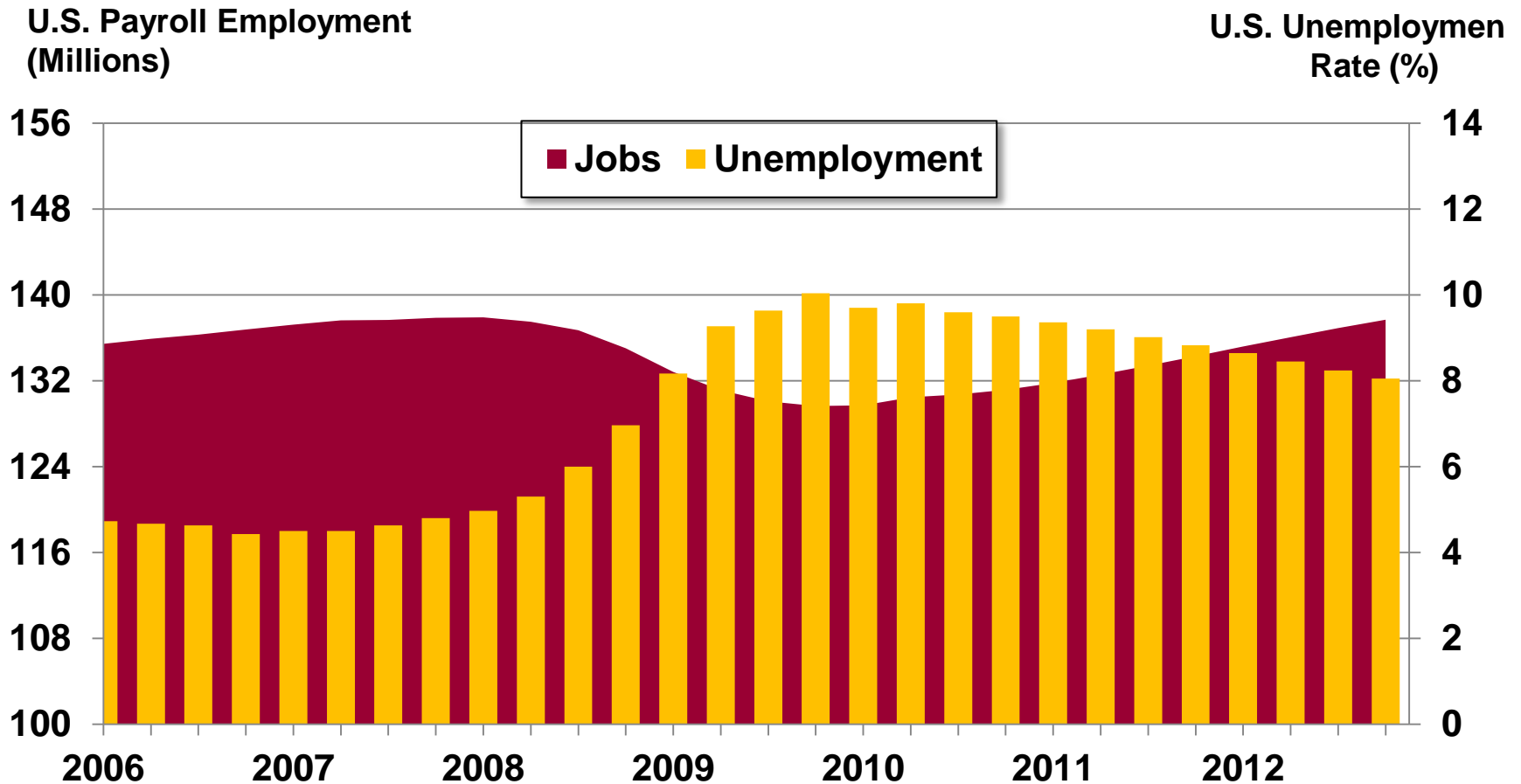
# Demographic Change And The “New Normal”

Tom Gillaspay, State Demographer

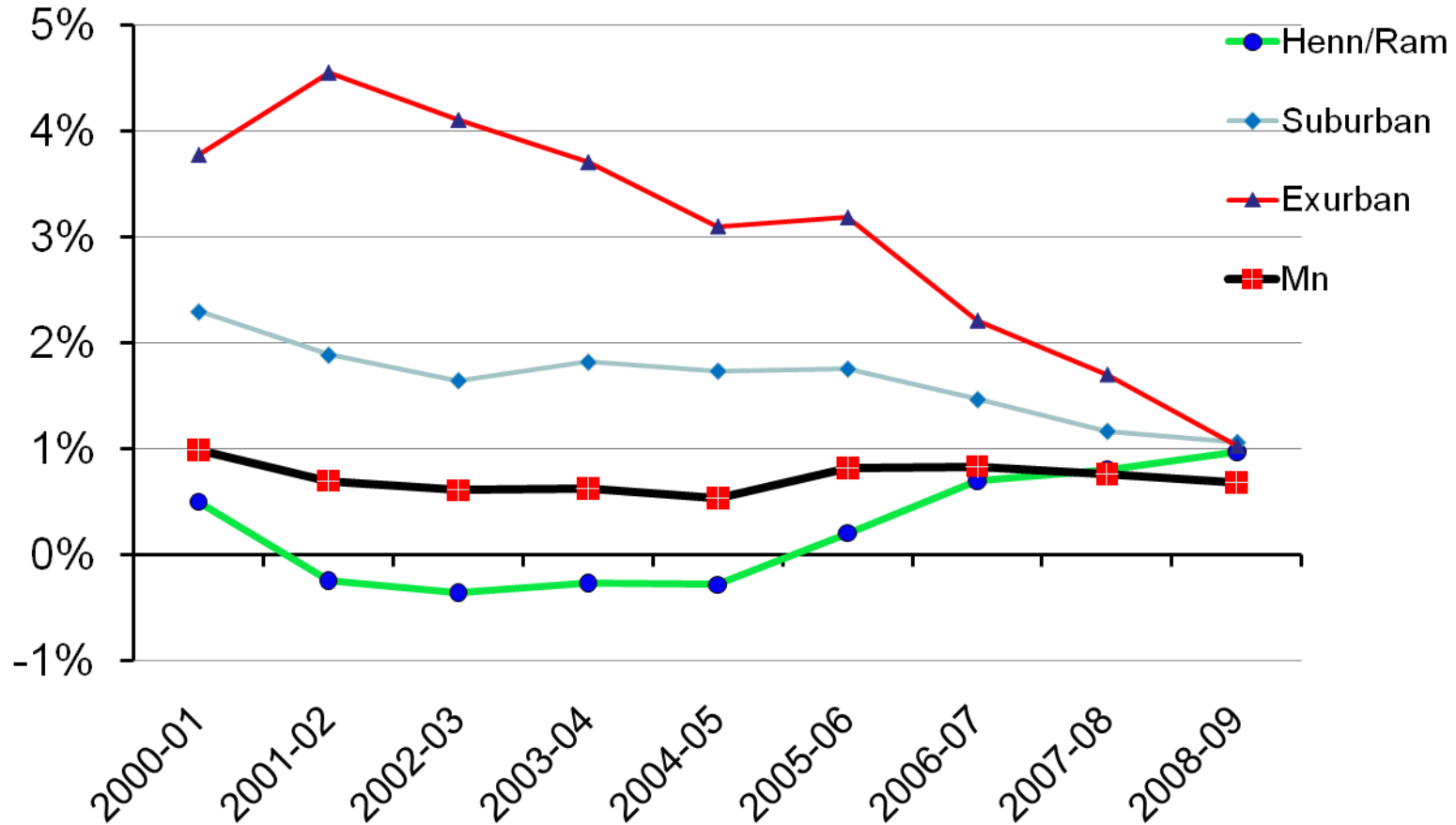
Mn Dept of Administration

March 2011

# U.S. Employment Is Not Expected to Return to Pre-Recession Levels Until 2013



# Convergence In Population Growth Rates

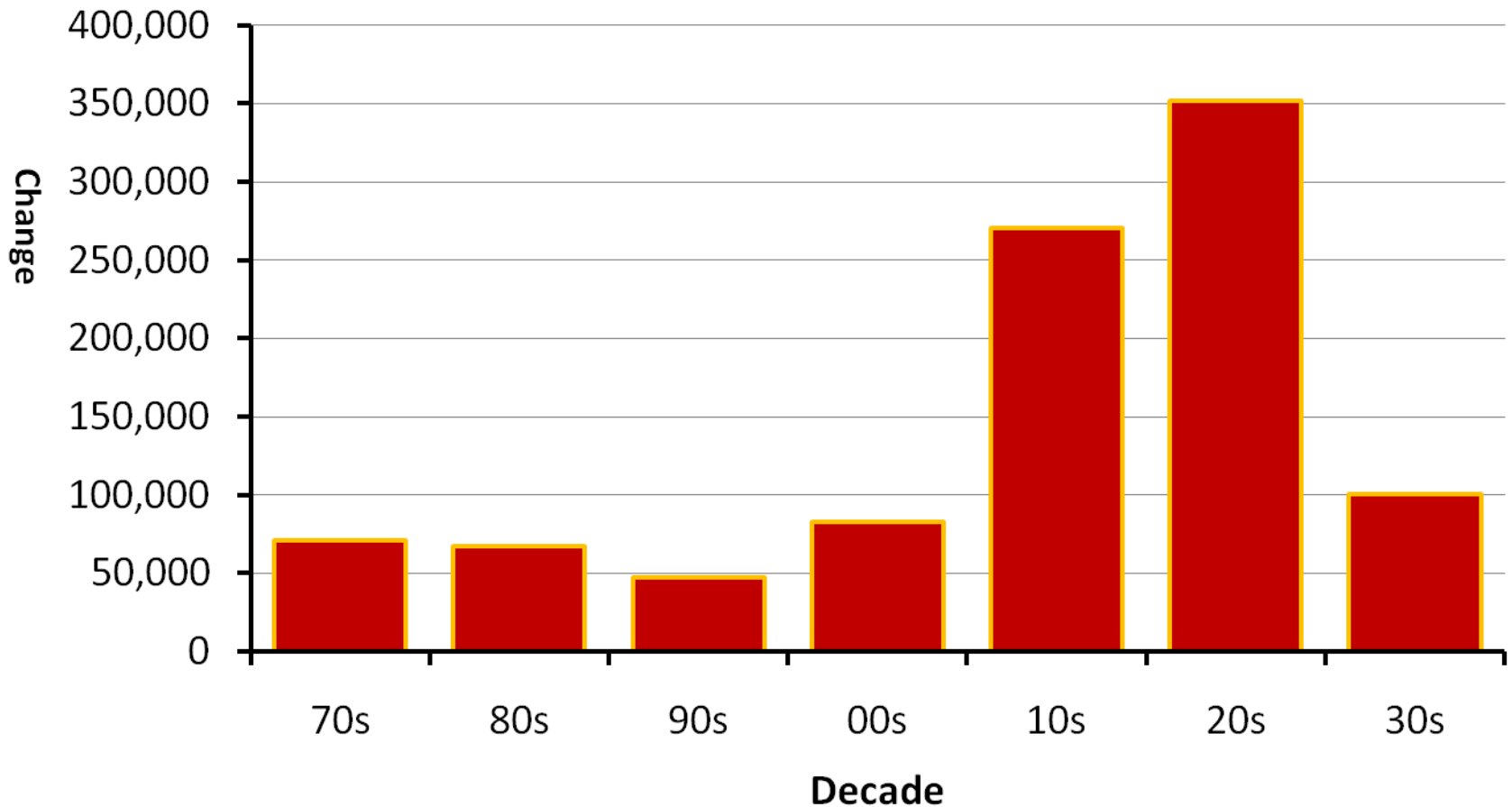


Census ests, Exurban includes Isanti, Chisago, Sherburne, and Wright.

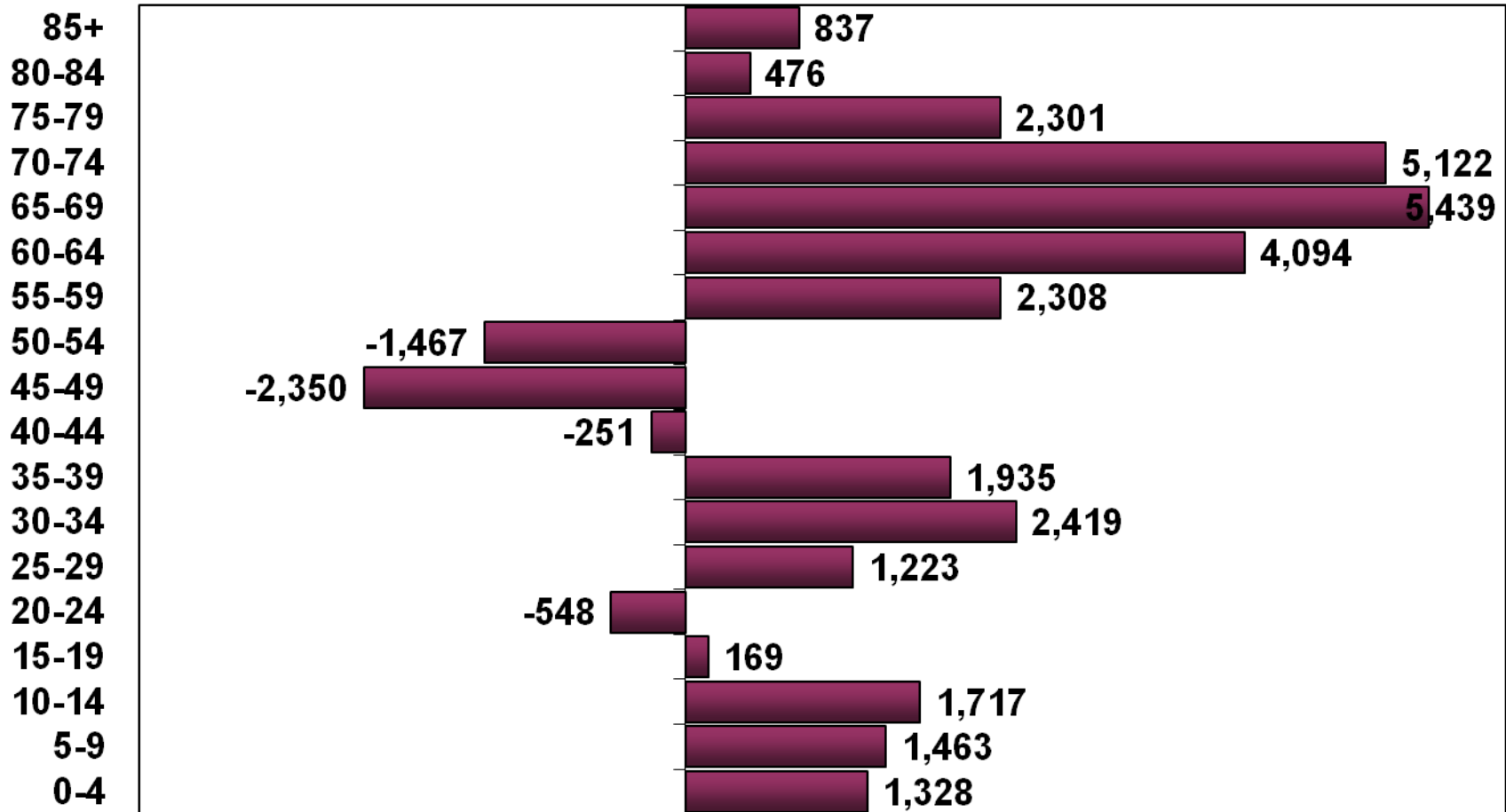
# The Budget Forecast Has Improved, A Bit

- Budget forecast has improved—*only* \$5 billion shortfall expected
- The change from November largely due to increased revenues from capital gains
- Increased capital gains revenue was due to December federal tax compromise

# This decade And Next Will See Unprecedented Increases In Minnesota's 65+ Population



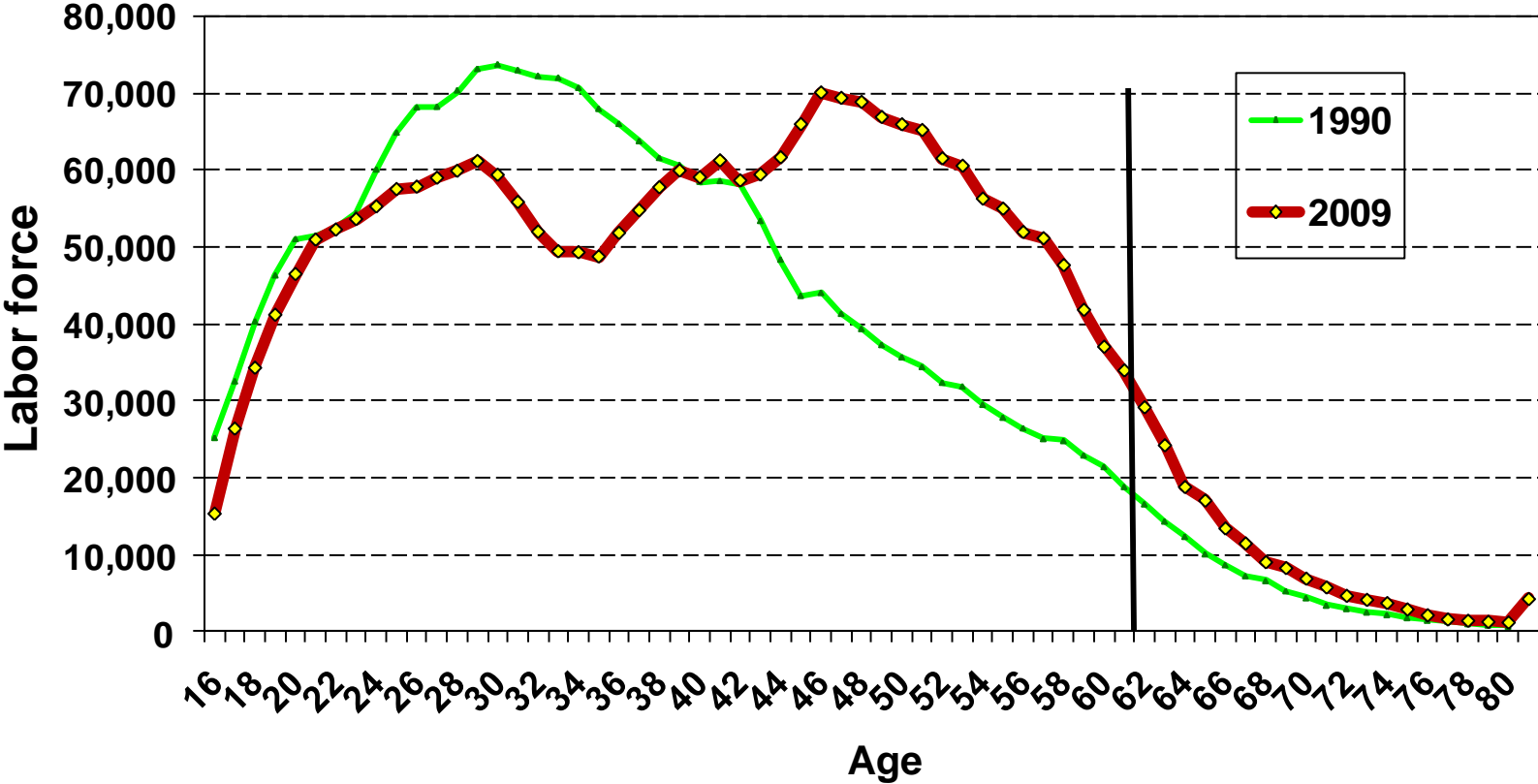
# From 2010 to 2020, The United States Will See Large Increases Age 50s and 60s



Source: Census Bureau projections revised 2009  
Numbers in thousands

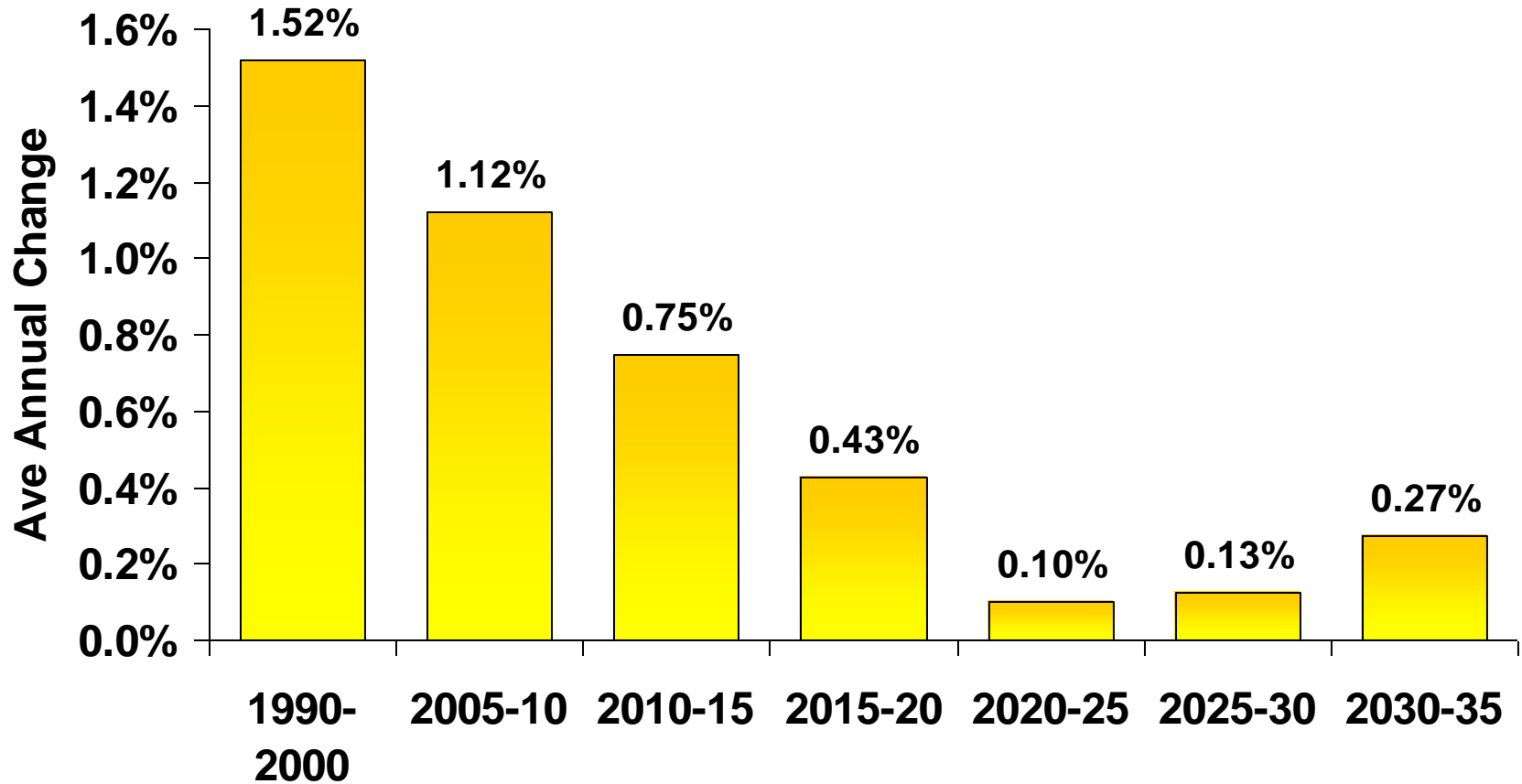
# Minnesota's Labor Force Is Aging

In 1990, the peak was 30; in 2009 it was 46



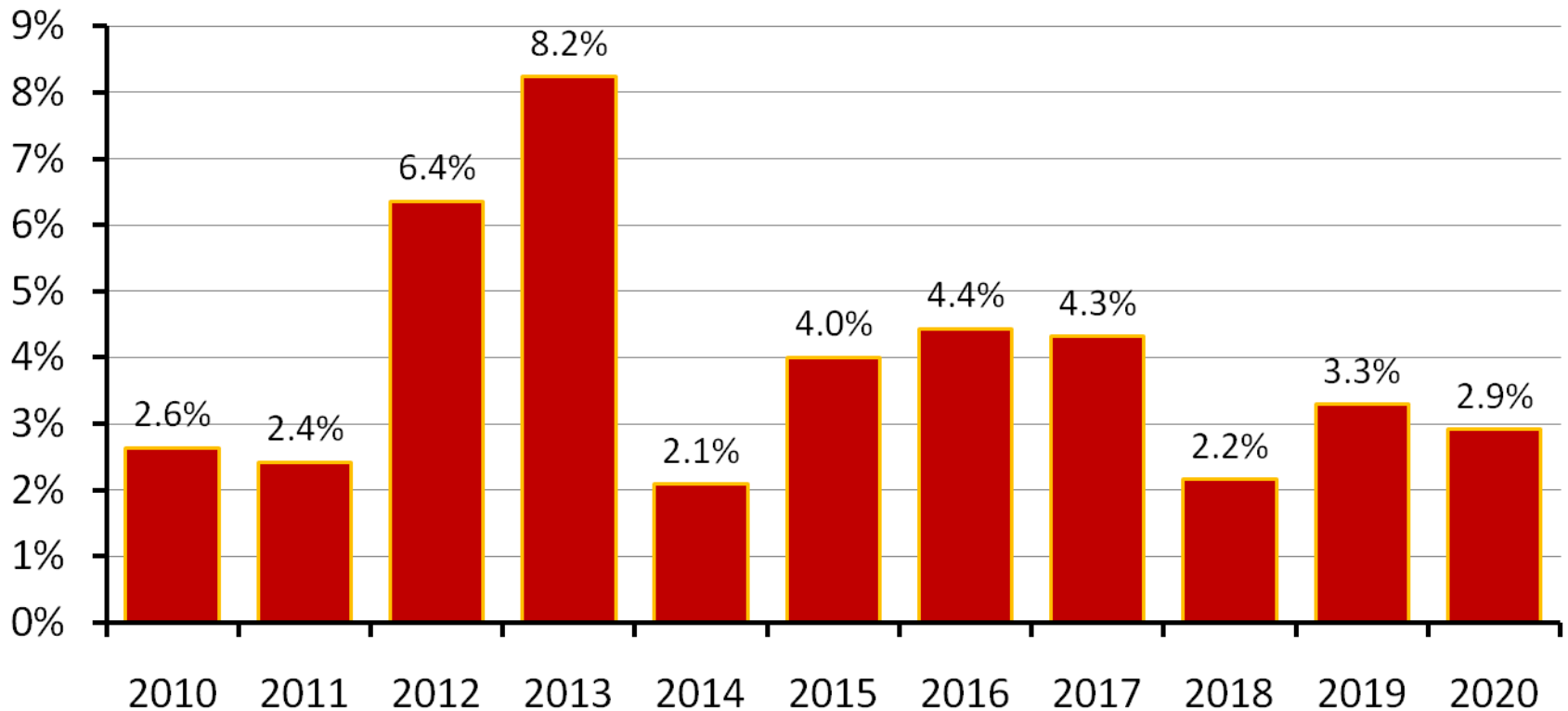
1990, 2007 ACS, smoothed 3 year averages

# Labor Force Growth Is About To Slow Sharply



# Change In Minnesota Number of Retirees

Based on Social Security OASI Retiree Rate & 2008/2009 ACS  
Labor Force Participation By Gender By Age & State  
Demographer Projections By Age/Gender By Year

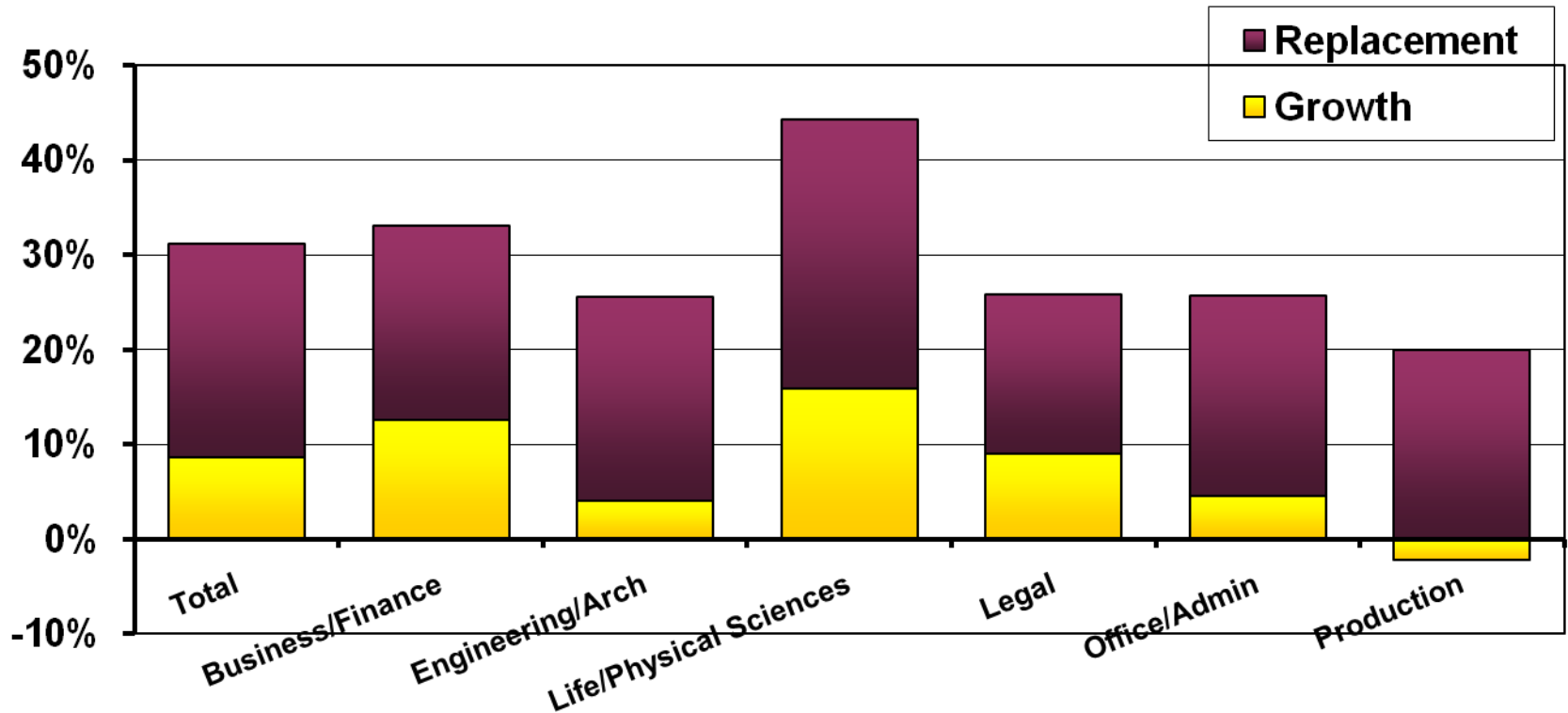


# **Slower Labor Force Growth Also Means Lower “Natural Growth” Needed**

- **Between 2005 and 2010, we needed about new 30,000 jobs each year to keep unemployment constant**
- **By 2015 we will need about 20,000 to meet “natural growth of the labor force”**
- **By 2020 we will need about 10,000 to meet “natural growth of the labor force”**
- **This may lead to lower unemployment rates**

# For Many Occupations, Replacements Will Outnumber New Job Growth

## Projected Openings In Minnesota Occupations 2009-19

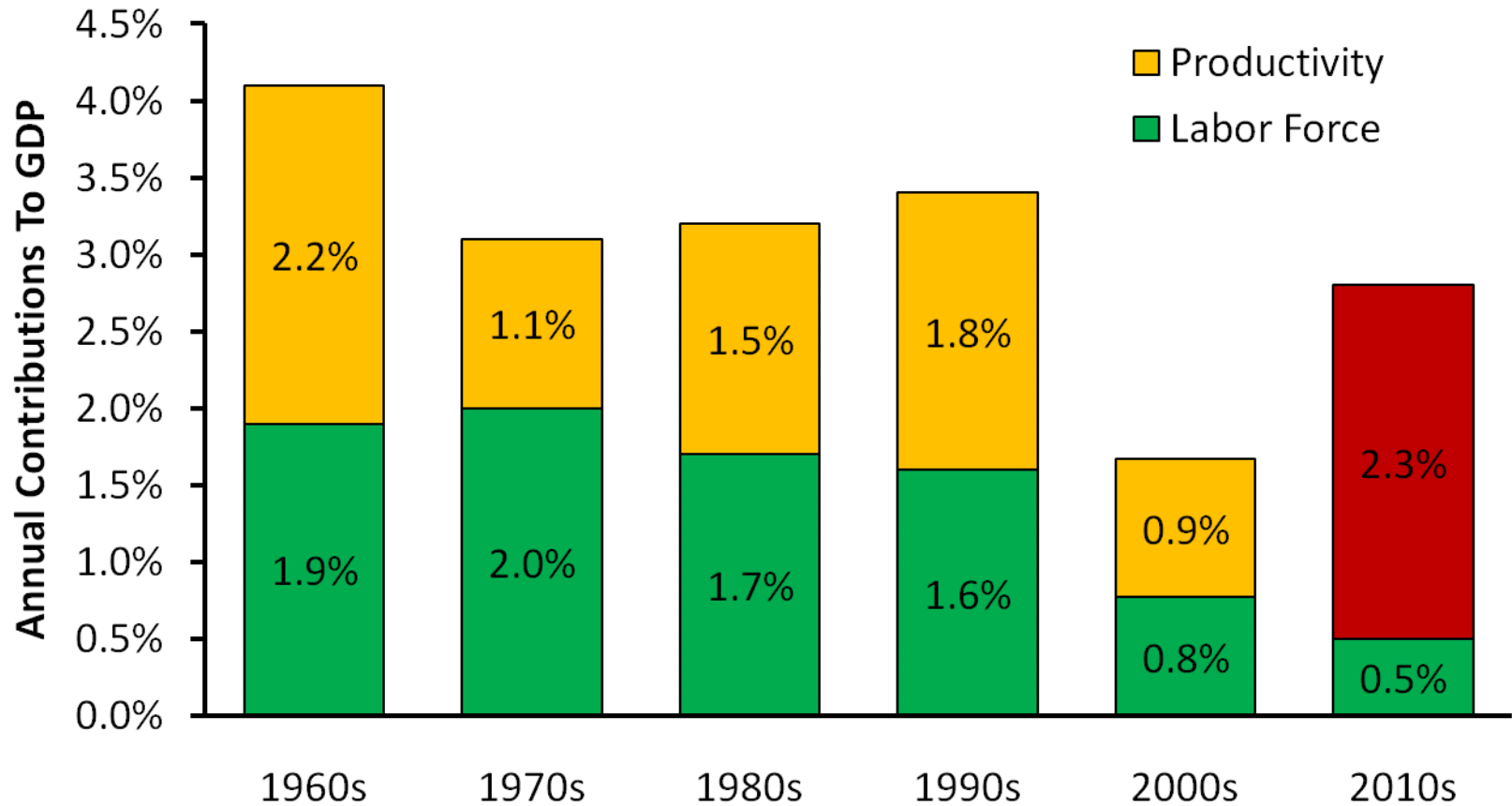


DEED projections. Percent of 2009 level

# Some Other Considerations In The Labor Market

- More retirees and fewer younger workers should improve opportunities for job seekers
- But employers may respond in other ways
  1. Increase focus on productivity gains, filling jobs on less than a one-for-one basis
  2. Relocate jobs to other, more favorable labor markets
  3. Recruit workers from other markets
- Alternative responses may be heightened with a growing skills mismatch.

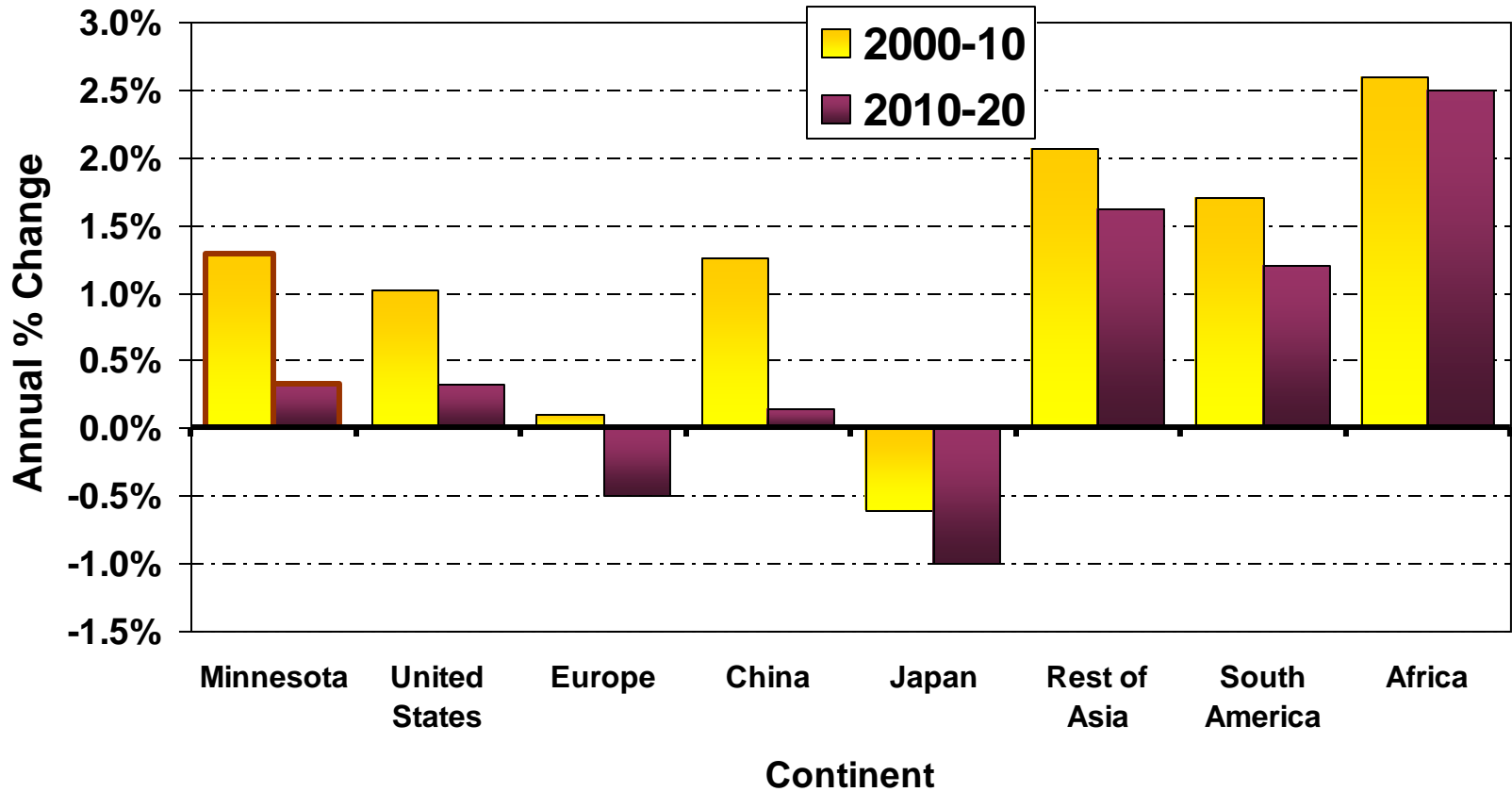
# Overall US Economic Growth Slows As Labor Force Growth Slows



US BEA, McKinsey Global Institute, We will need a 2.3% annual increase in productivity just to reach our 20 year average growth of 2.8%

# World Labor Force Growth Slowing

## Projected Change In Working Age Population (15-64)



**The Old Normal**  
**+ The Great Recession**  
**+ Long Run Demographic Changes**  
**= The New Normal**

# The “New Normal” Probably Means

- Higher interest rates
- Slower economic growth
- Chronic government deficits & cuts in service
- Worries about how to pay for past promises
- Disruptive events/innovations more frequent
- A single-minded focus on productivity
- A whole new set of opportunities

# **Creative Destruction/Disruptive Innovation Will Occur**

- ✦ Forces for change are heightened during periods of economic stress**
- ✦ Wholesale program changes will happen**
- ✦ Disruptive changes are not evolutionary**
- ✦ Some game changers will occur**
- ✦ There will be short term losers as well as winners**
- ✦ A set of new opportunities are revealed**

# Productivity Is Not Just Making Things Cheaper

- Productivity is also
  - ➡ Making things better—**Quality**
    - *Examples; Increased high school graduation rate, making the best medical devices made in the world*
  - ➡ Making better things—**Innovation**
    - *Examples; cures for chronic diseases, develop new energy sources*
- ✘ The pressure for disruptive innovation is increasing

# ***“Making Things Better”* May Offer the Greatest Potential**

- **Cost cutting efforts have focused on transactional jobs**
- **Largest future productivity gains are likely to come from investments that lead to better outcomes**
  - Lower lifetime health care costs, reduced recidivism rates, improved graduation rates
- **Adapting service delivery plans to meet the needs of the “New Normal”**

**The  
Economist**

OCTOBER 7<sup>TH</sup>-13<sup>TH</sup> 2006

[www.economist.com](http://www.economist.com)

China, Japan and North Korea's nukes

The great Airbus crisis

Misery for the Republicans

Can you really stop online gambling?

Angela's ashes: Merkel in trouble

# The search for talent

Why it's getting harder to find

A 15-PAGE SPECIAL REPORT



# Three Types of Jobs—Only One Is Increasing Globally

➡ Transformational--decreasing

➡ Transactional--decreasing

➡ Tacit--increasing

# High School Graduation Is No Longer Enough

- **70% of Minnesota job openings will require at least some college--63% nationally**
- **In 1973, 28% of job openings required some college**
- **Minnesota is the 3<sup>rd</sup> most education intensive job market in the nation**
- **Nationally, college degrees conferred will need to increase by 10% a year by 2018 to meet the demand for skilled workers and avoid slower economic growth**

# The Key To Future Success?

- **Future economic growth will depend increasingly on increasing productivity and less on labor force size**
- **This plays to Minnesota's historic strength**
- **Education has been the key to Minnesota's productivity and prosperity**

**“I skate to where the puck will be,  
not to where it has been.”**

**Wayne Gretzky**

**Famous Canadian Philosopher**