

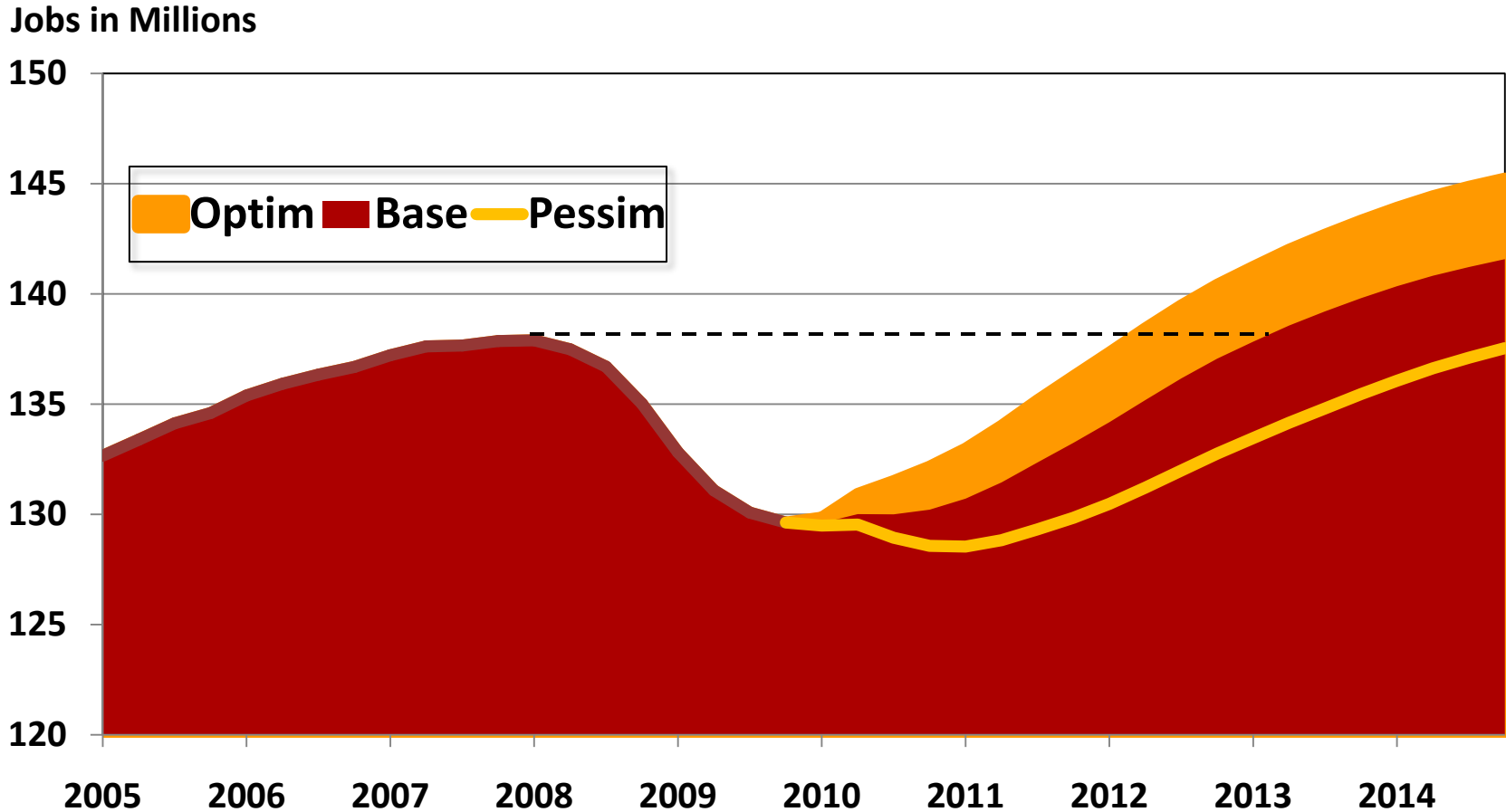
Disabilities, Demographics And The New Normal

Tom Gillaspay, State Demographer

Mn Dept of Administration

November 2010

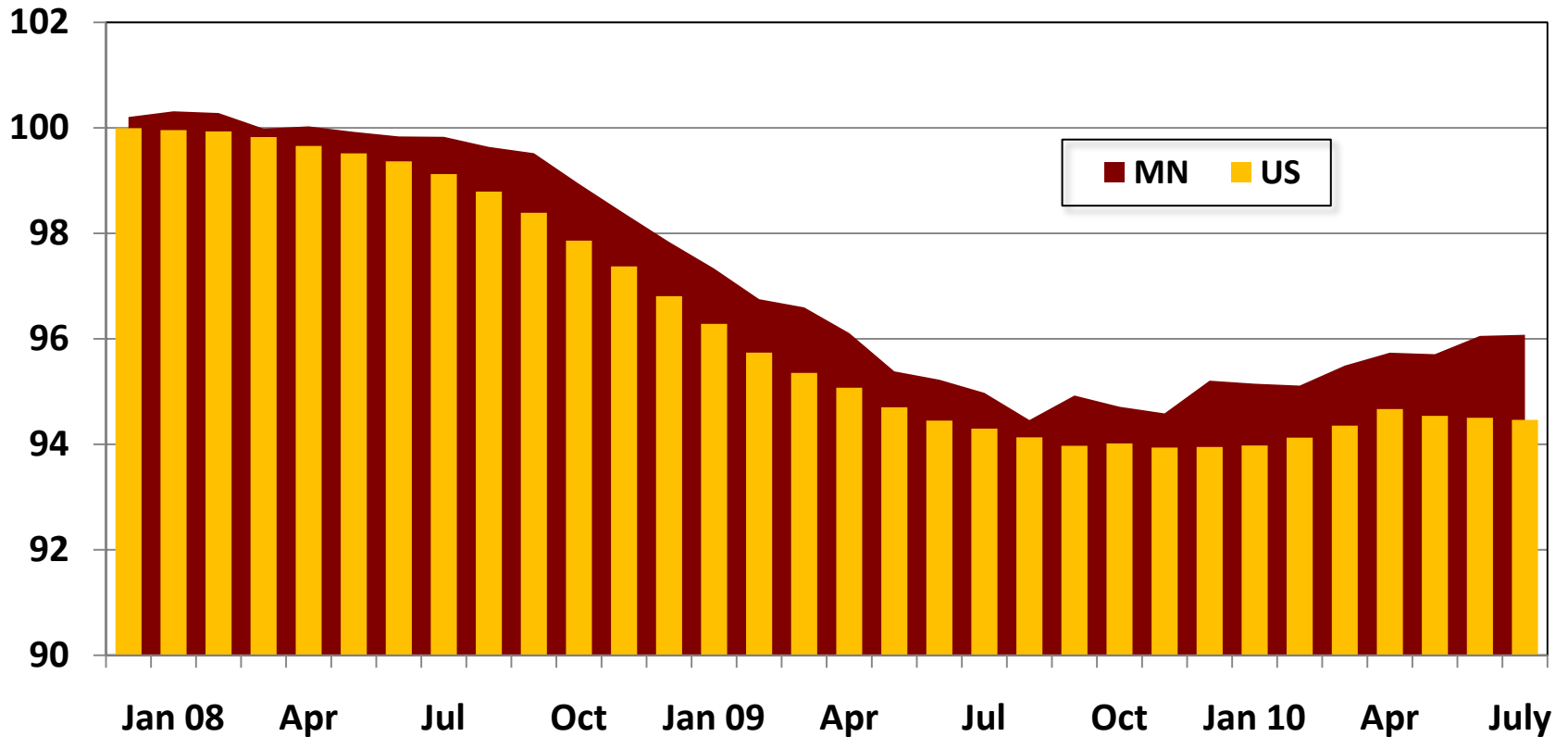
U.S. Employment Not Expected to Return to Pre-Recession High Until Spring 2013



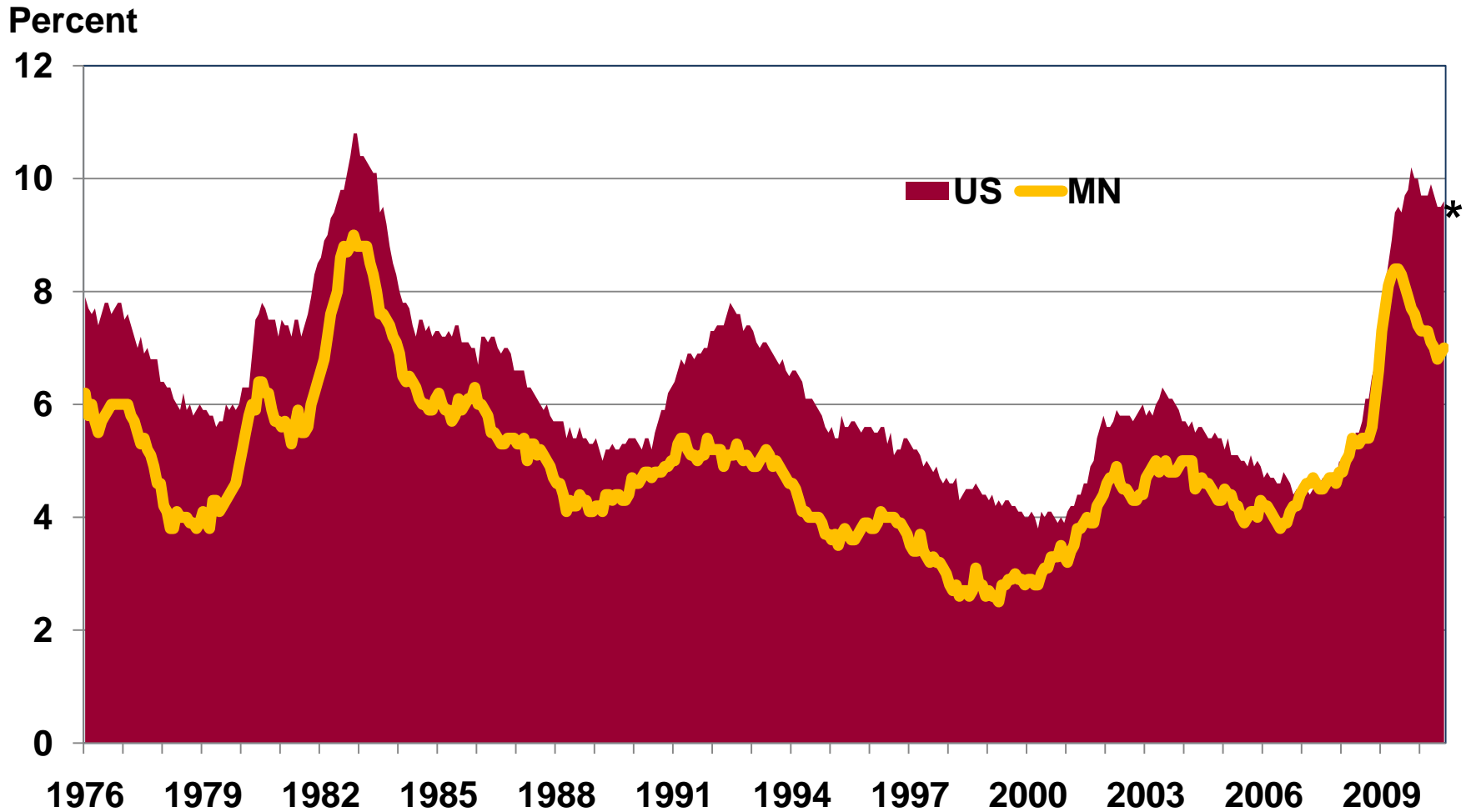
Minnesota Jobs Down 3.9% Since Recession Began, U.S. Average 5.5%

Index

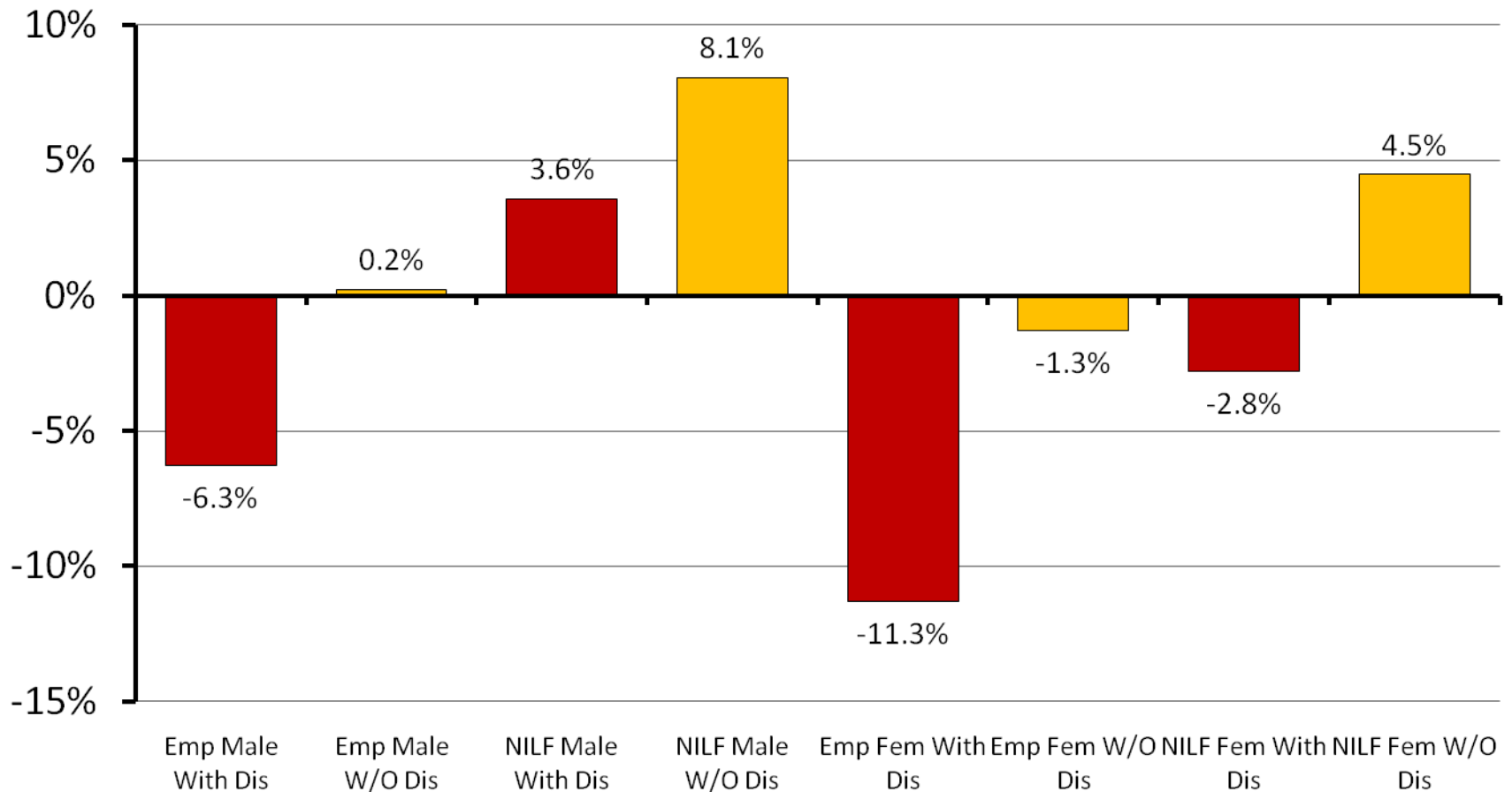
Dec 2007 = 100



Minnesota's August 2010 Unemployment Rate Was 7.0%; U.S. Average, 9.6%

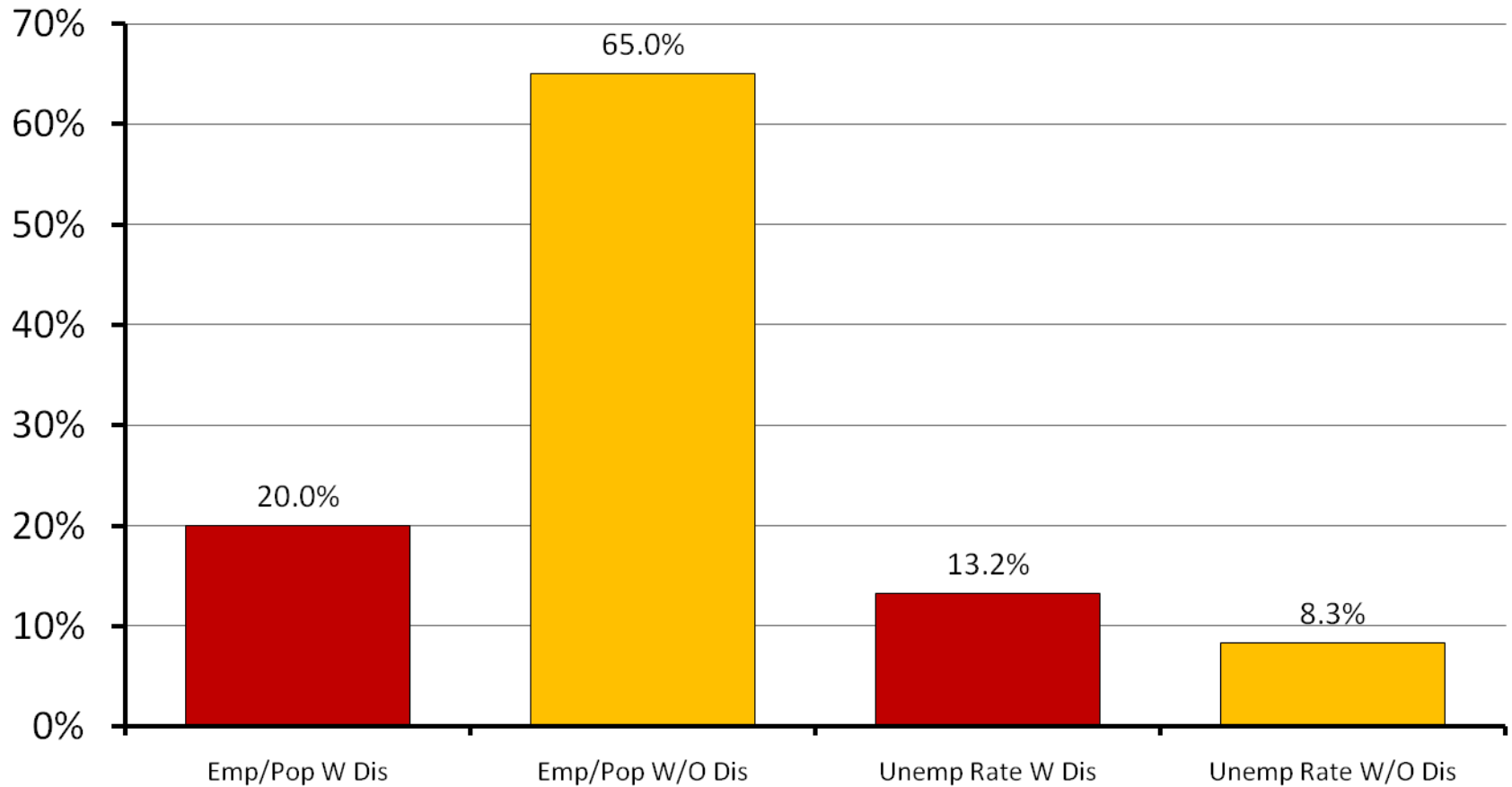


The Employment Situation Has Been Worse For People With Disabilities



BLS, change January 2009 to September 2010

The Employment Situation Has Been Worse For People With Disabilities

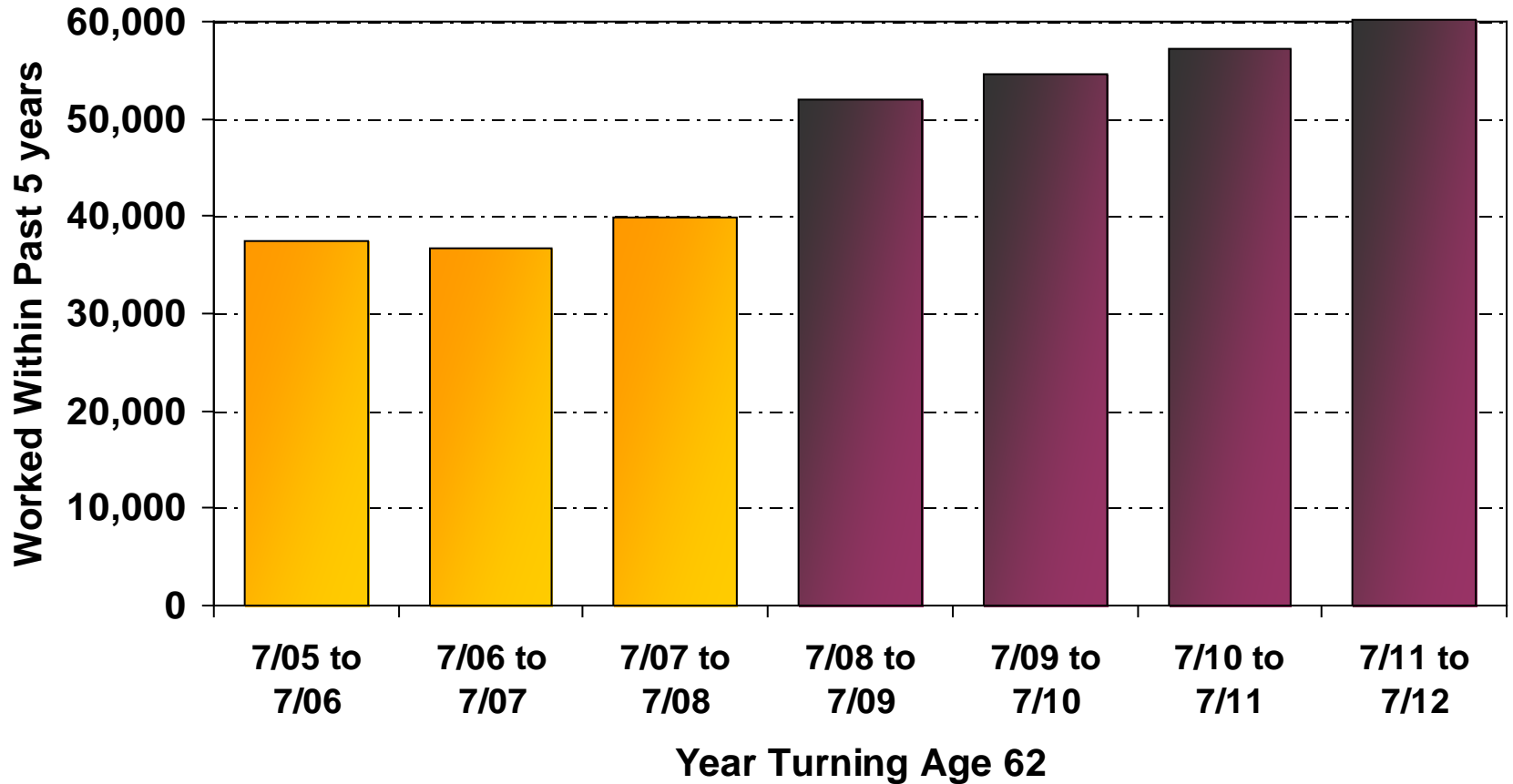


BLS, change January 2009 to September 2010

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

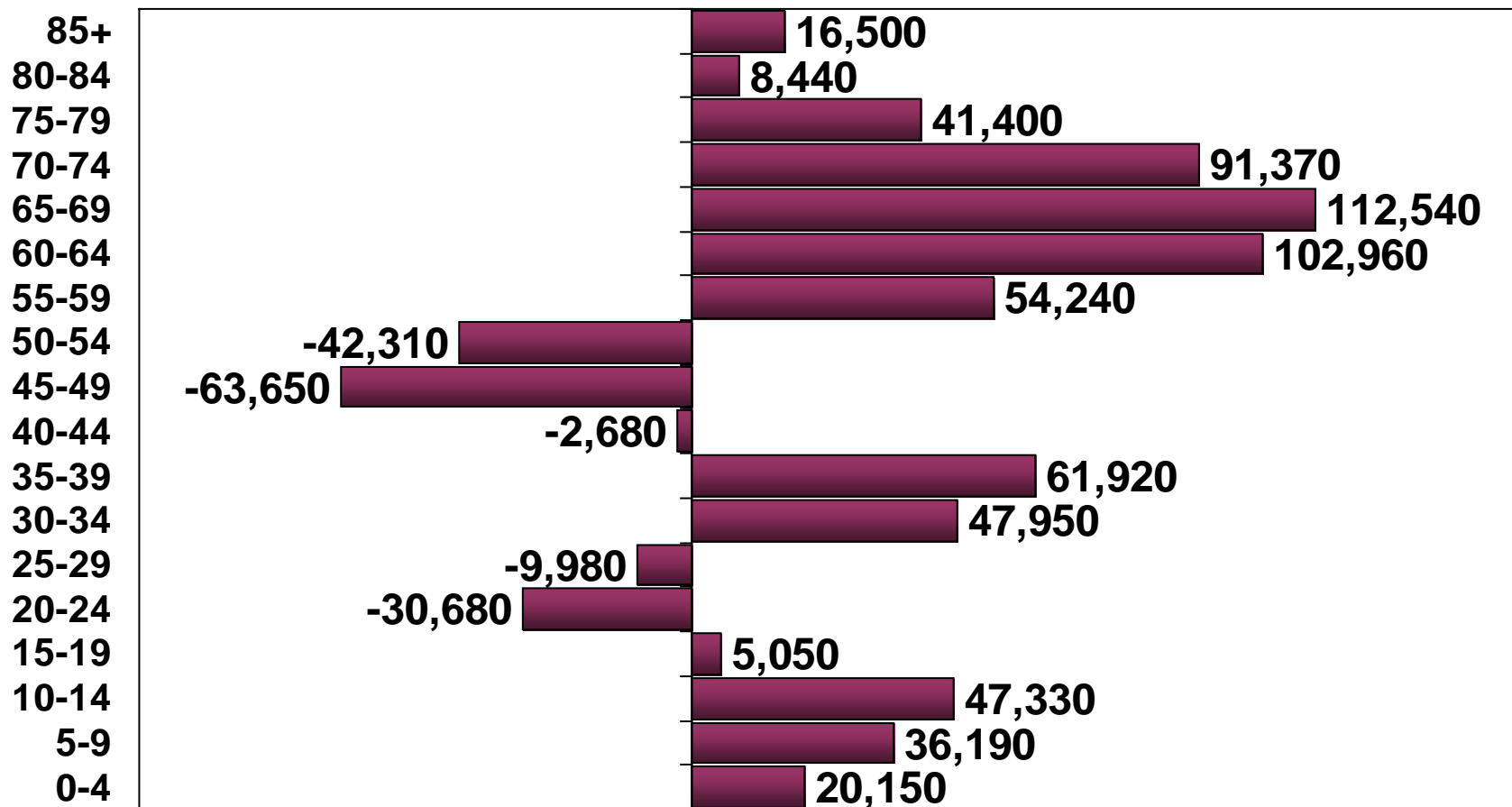
- ✘ Short run economic cycle has merged with long run demographic cycle
- ✘ We have entered the Age of Entitlement—economic growth in the next 25 years will be slower than what it was in the past 25.
- ✘ This is a national/global issue

Minnesota Saw a 30 Percent Jump in Workers Turning Age 62 in 2008



2005 ACS

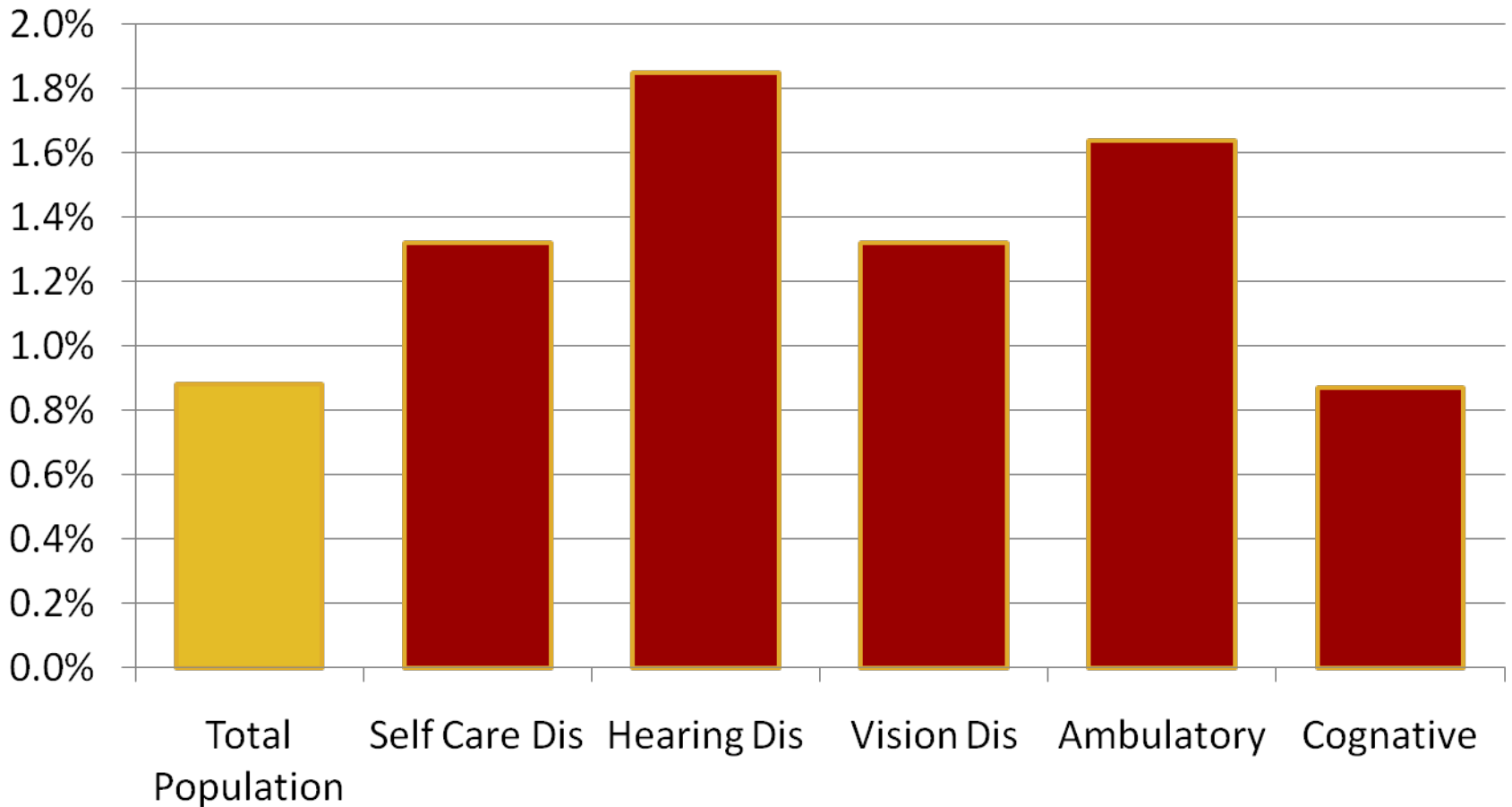
From 2010 to 2020, Minnesota Will See Large Increases Age 50s and 60s



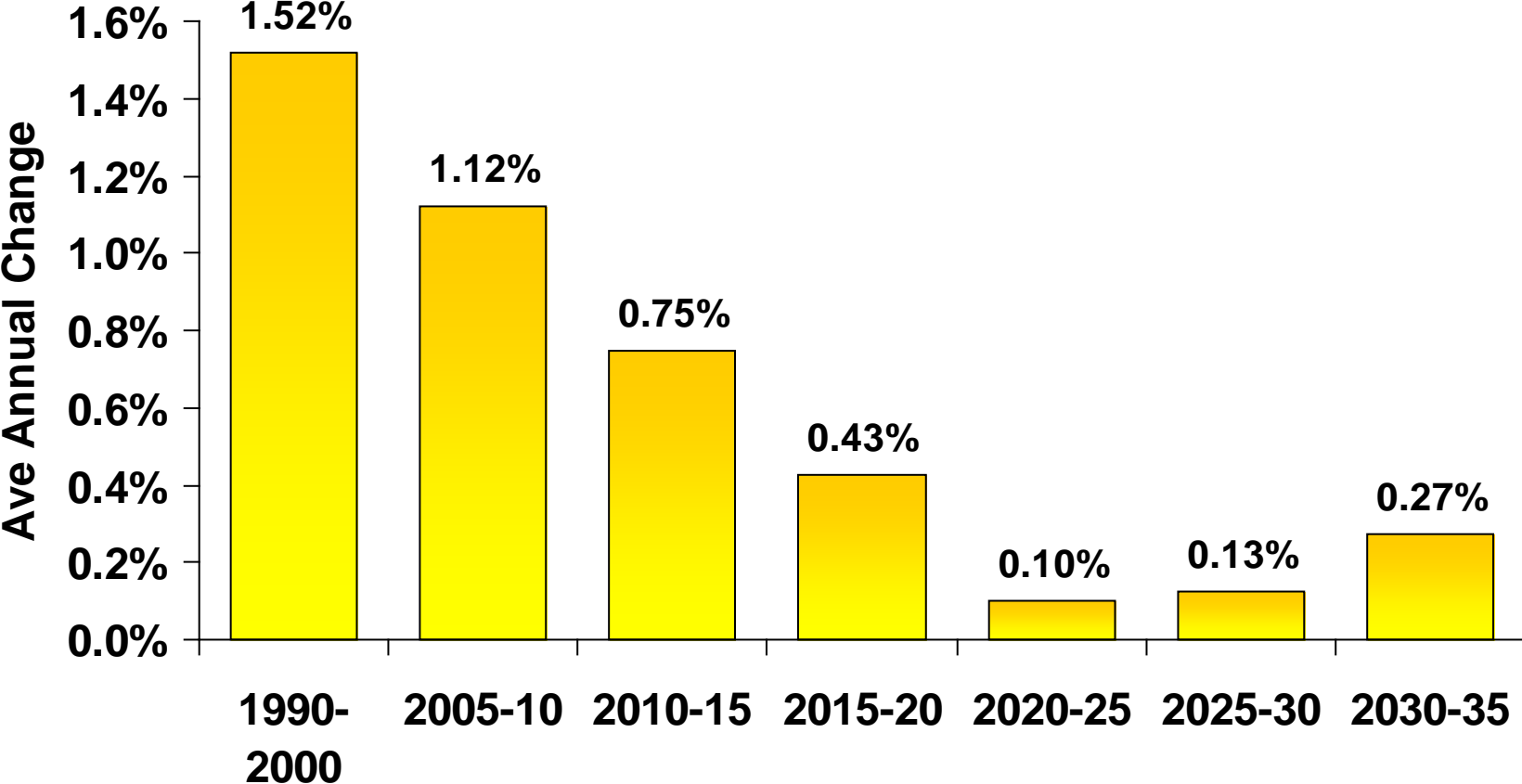
Source: Minnesota State Demographic Center, rev 2007

Numbers are rounded

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

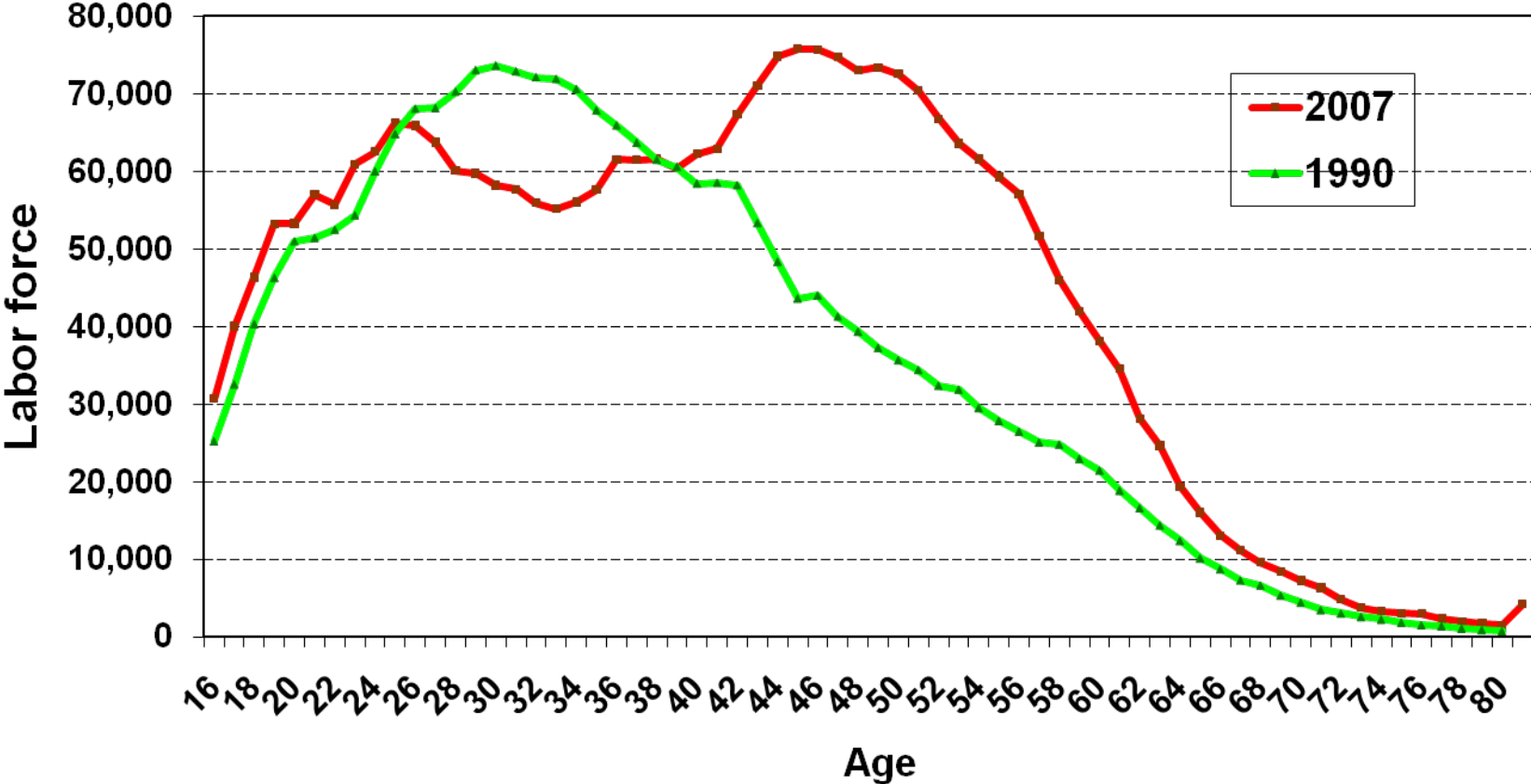


Labor Force Growth Is About To Slow Sharply



Minnesota's Labor Force Is Aging

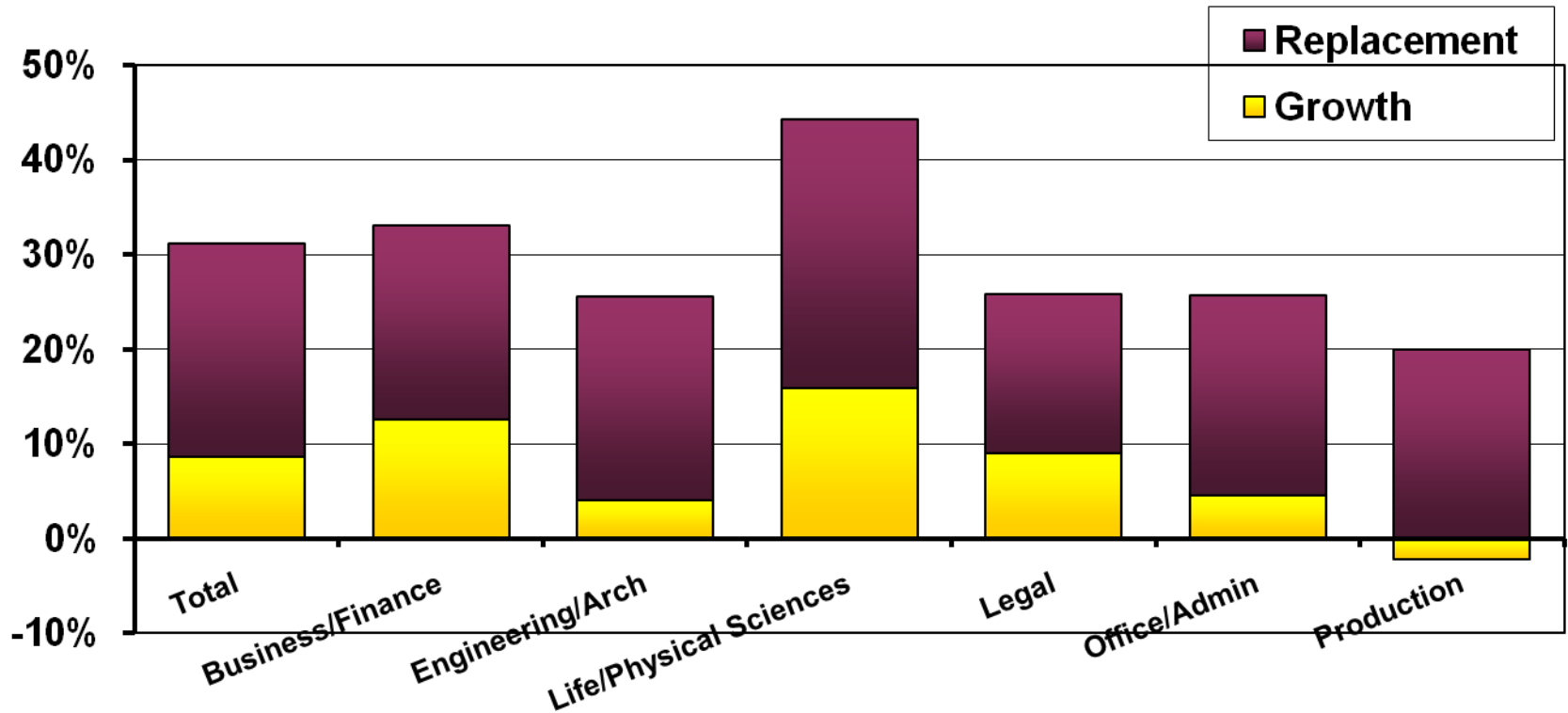
In 1990, the peak was 30; in 2007 it was 46



1990, 2007 ACS, smoothed 3 year averages

For Many Occupations, Replacements Will Outnumber New Job Growth

Projected Openings In Minnesota Occupations 2009-19



DEED projections. Percent of 2009 level

Most Future Jobs Are Know-How, Not Know-What or Know-Why

- **Transformational** – creating products
- **Transactional** – interactions that can be easily scripted or automated
- **Tacit** – complex interactions requiring high levels of judgment. Know-How as opposed to Know-What or Know-Why
 - The growth sector of the economy
 - 40% of labor market, 70% of jobs created since 1998

Some Labor Force Dynamics Of The Teens

- ✘ Slow recovery of jobs will limit new job openings**
- ✘ Increased retirements will increase openings**
- ✘ Large pool of unemployed and continued immigration will compete for job openings**
- ✘ Slow growth of labor force will ease job pressures some**
- ✘ Many jobs are permanently disappearing, especially transformational and transactional**

Minnesota Faces a Fiscal Trap

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

The Great Recession Has Raised the Level of Social Angst

But What Is Really Happening
Is That We Have Entered A
“New Normal”

The “New Normal” Probably Means

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

Grieving For The “Old Normal”

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

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

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

Productivity Is Not Just Making Things Cheaper

- Productivity is also
 - ➡ Making things better—*Quality*
 - ➡ Making better things—*Innovation*
- ✘ The pressure for disruptive innovation is increasing

**The
Economist**

OCTOBER 7TH-13TH 2006

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



Talent Is The Key To The Successful Future Economy

- Minnesota is one of the most education intensive economies in the nation/world
- The three R's of the successful economy
 - Retention
 - Recruitment
 - Retraining

The Fiscal Catch-22

- ➡ If we don't make the necessary public investments in human capital, research and infrastructure, then we won't have the productivity gains needed to provide the resources to make those investments in the future and pay for the promises we have made.
- ➡ Our current path is not sustainable