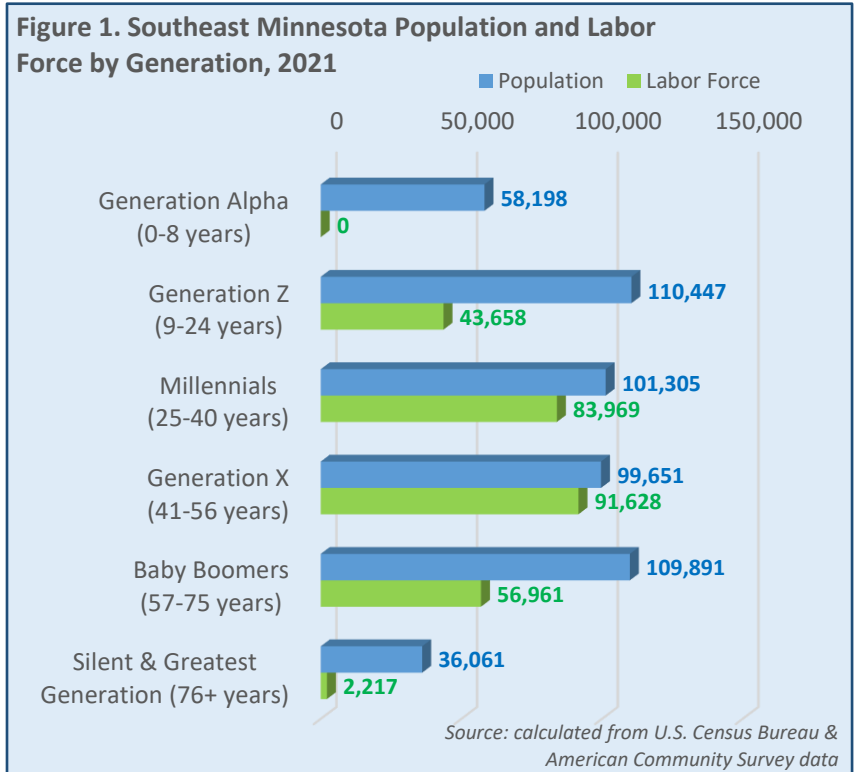


Generations in Southeast Minnesota

Home to a growing population, there are now seven generations living together in Southeast Minnesota. Generation Z is the largest generation, with about 110,500 people, just surpassing the Baby Boom generation, which is now second largest with just under 110,000 people. Millennials and Generation X both have about 100,000 people. The youngest age group, titled Generation Alpha, is closing in on 60,000 people, while the two oldest generations – Silent and Greatest – now have just over 36,000 people (Figure 1).

Consequently, there are now also at least five generations at work in Southeast Minnesota, ranging from teenagers in Generation Z to senior citizens from the Silent and Greatest Generations. According to estimates from the U.S. Census Bureau’s American Community Survey, Generation X makes up the largest cohort in the labor force, accounting for about 91,600 workers, followed by Millennials with 83,970 workers. As the front end of the Baby Boom generation has started reaching retirement age, the number of Baby Boomers has dropped to just under 57,000 workers, and there are still about 2,220 workers age 76 years and older in Southeast Minnesota. Generation Z is the most recent generation that has entered the workforce and provides more than 43,650 workers from 16 to 24 years of age.



With the population gains, the region added almost 53,000 net new workers from 1990 to 2021, a 23% increase. In the past, Southeast Minnesota’s labor pool deepened with a steady stream of new workers. This was due to several factors including population growth and in-migration, high and rising labor force participation rates for females, and a stable flow of high school seniors graduating into the workforce. All of these are important sources of labor force growth, but the latter is the focus of this report.

According to population projections from the Minnesota State Demographic Center, Southeast Minnesota is expected to gain 10,200 new residents through 2033, though much of the growth is due to an aging population. If Southeast Minnesota changes at the projected rates, applying current labor force participation rates by age group to future population projections by age group means the region will see a slight decrease in labor force over the next decade (see Table 1). This departure from a growing to a shrinking labor force would be unprecedented in the region, which had been growing for over three decades.

Table 1. Southeast Minnesota Labor Force Projections, 2023-2033

	2023 Labor Force Projection	2033 Labor Force Projection	2023-2033 Change	
			Numeric	Percent
16 to 19 years	15,734	14,888	-846	-5.4%
20 to 24 years	27,872	27,451	-421	-1.5%
25 to 44 years	113,393	115,515	+2,122	+1.9%
45 to 54 years	49,345	54,747	+5,402	+10.9%
55 to 64 years	48,399	38,850	-9,549	-19.7%
65 to 74 years	16,077	15,949	-128	-0.8%
75 years & over	2,896	3,880	+984	+34.0%
Total Labor Force	273,716	271,280	-2,436	-0.9%

Source: calculated from Minnesota State Demographic Center population projections and 2017-2021 American Community Survey 5-Year Estimates

Aside from an overall decrease, the age structure of the labor force is also projected to shift over time, with large declines in the number of workers age 55 to 64 years as the back end of the baby Boom generation reaches retirement age. However, the region is still expected to see gains in the number of 25 to 54 year olds in the labor force as Millennials and Generation Z replace the Baby Boomers. The number of entry level workers from Generation Alpha is projected to go down, but gains in the number of workers aged 75 years and over will offset most of the losses. In step with workforce declines, the shifting age structure will lead to a tighter labor market in the future, with employers needing to respond to changing labor force availability.

An interesting way to look at the changes is to compare school-aged children with older residents. The region’s labor force has always had more 12th graders than people turning 65, contributing to the region’s rapid and enviable gain of 52,898 net new workers from 1990-2021, a 23.3% growth rate. For example, about a decade ago there were approximately 4,350 65-year-olds in the region compared to about 6,400 12th graders, meaning there were just over 2,000 more people ready to enter the labor force than there were potentially ready to leave it. However, Table 2 shows that more recently in 2021, there were 7,086 12th graders compared to 5,954 67 year olds (the full retirement age for people born in 1960 or later¹), leaving a gap of just 1,132 more students than prospective retirees. While this means there were still more people potentially ready to join the labor market than leave it, that will not be the case moving ahead.

Table 2. Southeast Minnesota Population by Age & Student Enrollment by Grade Counts, 2021				Number of Students Compared to Adults
Grade	Number of People	Age	Number of People	
Kindergarten	5,973	55 years	6,629	-656
1 st Grade	5,890	56 years	6,808	-918
2 nd Grade	6,046	57 years	6,989	-943
3 rd Grade	5,905	58 years	7,135	-1,230
4 th Grade	5,997	59 years	7,264	-1,267
5 th Grade	6,111	60 years	7,513	-1,402
6 th Grade	6,198	61 years	7,228	-1,030
7 th Grade	6,337	62 years	7,043	-706
8 th Grade	6,688	63 years	6,759	-71
9 th Grade	6,621	64 years	6,455	+166
10 th Grade	6,506	65 years	6,399	+107
11 th Grade	6,385	66 years	6,176	+209
12 th Grade	7,086	67 years	5,954	+1,132
All Grades	81,743	55-67 years	88,352	-6,609

Source: Minnesota Department of Education Data Center, U.S Census Bureau

Fast forward to the other end of Table 2, and the significance of the shifting demographic wave becomes obvious. According to the Minnesota Department of Education’s student enrollment data, there were 5,973 kindergarten students in Southeast Minnesota in 2020-2021, compared to 6,629 55 year olds according to the Census Bureau. A lot can change for both of those populations over the course of 12 years, but if nothing does, that would leave a deficit of 656 more people reaching retirement age than graduating from high school in the year 2034. Together, both of these groups of “seniors” will have a huge impact on Southeast Minnesota’s economy over the decade, leading to slowing labor force growth and changing needs for both employers and employees.

People aged 55 through 63 years old outnumber the respective grade level. The largest deficits are in the grades and ages of 5th grade and 60 years and 4th grade and 59 years. The total deficit between all grade levels and ages 55-67 years old is -6,609, meaning labor force growth will have to come from other sources, such as immigration, increasing labor force participation rates, or tapping into underserved populations.



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