






Lever 2: Deploy Human Capital for Economic Growth

Human capital is the single most important input to economic growth, but leveraging it to improve regional economic performance requires not just producing high levels of educational attainment, but also retaining and deploying talent through alignment with existing and expected employment opportunities. Measuring how well the region’s skills and jobs pools match helps to target employer-driven education, training, and internships, worker attraction and retention efforts, and programs building career ladders and job mobility,

Job creation and growth have in the past provided a talent magnet for the region; workers have also been compelled to stay and relocate here by robust income levels and quality of life. Evidence indicates the region’s comparative advantage in income is diminishing, however, in both per-capita income and economic activity.³⁹ Reinforcing this advantage involves a workforce strategy integrated across ages, employment sector, and between training or education and employment.

Key Findings	Evaluation
<ul style="list-style-type: none"> • Over the last three decades, the region has substantially outperformed the national average in employment growth, productivity and wages.⁴⁰ 	
<ul style="list-style-type: none"> • While increasing productivity generally dampens job growth, the region reported these in tandem for decades, until diminishing in performance starting in 2002. 	
<ul style="list-style-type: none"> • Among the region’s 1.65 million workers⁴¹, 68% have completed some college education or higher, substantially outpacing the statewide figure of 63% and national average of 55%.⁴² 	
<ul style="list-style-type: none"> • In-migration and natural population growth are projected to fall significantly from recent levels, and as elsewhere, the aging of existing workforce is marked. 	
<ul style="list-style-type: none"> • Minnesota exhibits one of the nation’s highest gaps between white and Black students as measured by test data and graduation rates,⁴³ with 79.5% of white students in the region graduating, versus only 47.3% among students of color.⁴⁴ 	

Current State of Region’s Human Capital

During much of the 1990s, the region generated 30,000-50,000 jobs annually. In the years 2002-9, however, the region has underperformed the U.S. average every year except 2003 – including in 2008 and 2009, when both the regional and the national economy posted substantial job losses.⁴⁵

The region has succeeded in attracting and retaining talent for this skilled labor pool, as well. The region's population of U.S.-born residents grew by 4.9% during 2005-8⁴⁶, including the migration of 102,000 people born elsewhere in Minnesota, and 34,000 from other states.⁴⁷ One in four current residents in the region were born in other states, and these interstate migrants are nearly one and a half times as likely to hold a Bachelor's degree or higher, as their counterparts born in Minnesota.⁴⁸ The differential suggests the importance of continuing the attraction and retention of knowledge workers imported from elsewhere in the United States, as well as statewide.

The region's workforce is expected to grow at a diminished rate in the coming 25 years: The amount of "natural" growth in regional workforce is projected to fall from 200,000 workers in the decade ending in 2010, to a negative number in the next twenty years.⁴⁹ Even including the projected in-migration of roughly 200,000 workers between 2010-35, total workforce in the metropolitan region's eleven counties is expected to grow only by an average of 0.45% per year.⁵⁰

Skilled workforce is accurately perceived as a current competitive advantage for the region. Per capita productivity continues to outpace the U.S. metro average by over 20% but this premium has been eroding since 2004, illustrating the case for a proactive approach in the context of growing mobility.⁵¹

Labor pools in the region are also aging, consistent with national demography. In the next ten years, the state's population of citizens ages 55 or more will increase by 425,000; the number of Minnesotans turning 62 years old in 2008 was 30% higher than the previous year. At the same time, the number of workers age 18-24 is expected to drop nationally by roughly 2% in the coming decade – and 3% in Minnesota.⁵²

Regional population growth is expected to be modest, and workforce participation rates are not projected to increase substantially from current (comparatively high) levels⁵³ – presenting a fundamental challenge to regional goals for job and economic growth.

Pre-Kindergarten to Higher Education System Quality in Jeopardy

Reflective of the region's high educational attainment, the region is home to twelve state universities and technical schools, fifteen private colleges, and dozens of private vocational schools, with enrollment of over 125,000 students.⁵⁴

Development of knowledge workers through an accessible public education system is broadly credited with playing a critical role in the region's economic success over the last several decades. Development of an entrepreneurial culture, skilled workforce, innovative ideas and an engaged citizenry is stimulated by superior quality education across the spectrum, starting from early childhood⁵⁵ through elementary and secondary school, vocational and technical schools to higher education and research. At the same time, test data for the state's students show strength in mathematics and a falling advantage in reading, when measured against other U.S. states.⁵⁶ Despite clear evidence illustrating the relationship of the region's economic success with highly skilled workforce – and

concerning trend data for performance – consensus about how best to invest public resources in access and quality of education in the region has proved elusive.

Barriers to addressing challenges to top-quality public education in the region include racial and socioeconomic segregation of neighborhoods⁵⁷, conflict regarding the licensing and training of teachers and administrators, and unstable funding sources.⁵⁸ Strategies raised in recent years to improve elementary and secondary education include changes in teacher preparation, alternative licensing for teachers⁵⁹, simplifying state funding formulas and using a research-based approach to funding levels for support of education of students from early childhood to high school.⁶⁰

Persistent segregation in housing and education also affect the long-term value of public education in the region. The percentage of Black and Hispanic students in the region enrolled in segregated schools has risen rapidly since the early 1990s. Studies indicate that segregated school environments are associated with multiple negative consequences for students including dampened education aspirations, reduced performance and test scores, and lower participation rates in postsecondary education. The use of integration aid in state funding formulas, integration districts such as East Metro Integration District (EMID) and West Metro Education Program (WMEP), and regional management of affordable housing goals are measures that should be emphasized moving forward as ways to mitigate housing and school segregation.⁶¹

Disparities by race or achievement are costly not only in social terms, but economic as well. Recent analysis indicates that the cohort of roughly 10,000 Minnesota high school students who drop out each year represent an aggregate cost of \$10.6 billion over their lifetime.⁶²

Closing a Critical Gap

The region's system of higher and vocational education schools also represents a key access point in strategic deployment of human capital. In 2008 nearly 125,000 students attended public institutions for higher and technical education in the region.⁶³ An additional 47,000 students attend private colleges for Bachelor's and professional degrees.⁶⁴ Access to workforce training has diminished in recent years as tuition has climbed: in constant dollars, tuition increases since 2000 include 71% for the University of Minnesota, 57% for state universities in the Minnesota State Colleges and Universities system ("MnSCU"), 48% for MnSCU two-year and technical schools, and 25% among private colleges.⁶⁵

An estimated 62% or 1.33 million of the region's adult residents do not have an undergraduate degree.⁶⁶ These residents are the focus of a workforce investment system in transition from the lean, self-service model and "demand-based" emphasis of the previous decade to a "dual customer" approach under the current U.S. administration. Funding and program emphases under the Workforce Investment Act are flowing to initiatives that tie together existing functions more efficiently. Yet, while the state's enrollment rates in adult basic education are among the nation's highest⁶⁷, workers do not

have a connected system of training opportunities available to move from enrollment to employment.

Education infrastructure is a critical element of building and retaining competitive workforce, but not the only element: Nationally, 30 million new and replacement jobs in the next ten years will require some college or more, 73 million jobs will require associate-level or technical credentialing.⁶⁸ Statewide, by 2018, 70% of jobs are expected to demand postsecondary training and credentialing.⁶⁹ As of 2000, 26.8% of residents ages 25-34 held a high school diploma or less education, while 73.2% had earned some training or education beyond high school.⁷⁰ Establishing clear, accessible avenues for credentialing and education will be essential to meeting the demand for knowledge workers, the source of a core advantage of the regional economy.

To realize the region's potential, the metropolitan area must have an effective process for retraining older workers (professional and other) and creating credentialed career pathways for non-professional citizens entering or reentering the marketplace, as well as a strategy for retaining and attracting knowledge workers. In addition to information, high school students' access to careers requires transferability of credentials they choose to pursue. Several states have established requirements for transferability of credentials from one employer to another, reflective of the concept of the National Work Readiness Credential. Minnesota is one of six states funded by the National Governors Association to address the enhancement of competitiveness through such strengthened postsecondary credentialing.

The region continues to benefit from an extended period of productivity and population growth, but a diminishing lead in workforce-related metrics presents multiple causes for alarm for future prosperity. Enhancement of PK-12 and higher education into a system that prepares more students and for more career pathways, represents an urgent regional priority.

Goals

- Connect students from enrollment to employment through a clear, effective process
- Close the achievement gap between students of color and white students
- Offer and award credentials that unlock multiple career pathways and are transferable among employers
- Attract and retain talented residents from elsewhere in Minnesota, the nation and world

Strategies to Deploy Human Capital for Growth

Community Investment Campus

An innovative approach to increasing opportunities for younger citizens in the region has led to the formation of a pilot Community Investment Campus in the Frogtown and Summit-University neighborhoods of Saint Paul. The campus is a joint effort by the City of Saint Paul, Saint Paul School District and Ramsey County, focusing resources on

multiple ways of stabilizing neighborhoods: Quality health care, schools, housing, access to parks. Inspired by the Harlem Children’s Zone and the Portland Economic Opportunity Initiative, the three public partners are exploring the potential application of such a multifaceted approach to education and youth development in an expanded engagement area. The campus is a small-scale example of addressing root inhibitors to education and workforce development, across jurisdictions and across multiple factors influencing school and work readiness. Successes in these areas have broad potential application in a fragmented region.

Achieve Minneapolis Connects High School Students to Career Pathways

High school students have inconsistent access to information about careers in trades and technical fields in the region, and how to pursue both appropriate credentialing and job opportunities in a given field. Achieve Minneapolis, a nonprofit joint initiative among Minneapolis Public Schools, the City of Minneapolis, the Minneapolis Regional Chamber of Commerce and others, invests private funding to staff high schools with guidance counselors able to advise students about postsecondary options that include technical and vocation training opportunities. Also in Minneapolis, vocation magnet high schools focused on industries such as manufacturing and health care provide early-track choices for students to develop expertise and identify specific postsecondary choices for credentialing.

Expand FastTRAC Model to Retrain Adult Workers in the Region

The Minnesota FastTRAC (Training, Resources and Credentialing) initiative is an integrated model connecting workers to adult basic education, community and technical education, and workforce centers to match skill sets to employment opportunities in critical occupational clusters. Focused on engaging older workers in training and retraining opportunities that lead to “stackable” credentials, FastTRAC is an initiative sponsored by Minnesota DEED and envisioned for application statewide. Objectives also include helping newly-trained or retrained, low-skill adults to match skill sets to employment opportunities in critical occupational clusters.⁷¹