

State Description: Minnesota 2006 Development Report Card for the States

Minnesota received "straight A's" on the 2006 *Development Report Card for the States*, painting the picture of a state with a strong support structure for workers and their families as well as for employers. As with many other states, the reality of slow job growth dogs the state economy, but the significant bright side for Minnesotans is that their state is focusing on crucial areas like education and R&D to develop the resources needed to sustain and develop the economy in the 21st century.

Since 1987, the *Development Report Card for the States* (DRC) has advanced a model of economic development that goes well beyond traditional strategies of business attraction and retention. The DRC describes the components of a healthy economy in three key dimensions: what the economy means to a wage-earner, what the economy means for a typical business, and how the state government's investments are positioning the economy for the future. The DRC is meant to give state policymakers, advocates, and citizens factual information about how their state is performing on a host of measures relative to the rest of the country.

Performance: A

Minnesota excels in the job quality, equity, and quality of life that its residents enjoy.¹ Although the state is not among the front-runners in terms of annual pay or salary growth, Minnesotans are more likely than most Americans to earn sufficient wages and benefits to meet their families' basic needs.² Minnesota has also made important strides in serving its residents' health needs, with infant mortality, teen pregnancy, and heart disease rates that are among the lowest in the country.³ Minnesotans also seem invested in their communities, as evidenced by high rates of homeownership and voter turnout.⁴ The principal blemish on Minnesota's performance records resonates with the broader landscape revealed by the DRC, which suggests that job growth is challenging numerous states. Minnesota's only grade lower than a "B" was on the employment subindex, due largely to a troublingly high incidence of mass layoffs.⁵ If, in an effort to address this challenge, state and local incentives are provided to businesses in Minnesota, they should be targeted to create jobs that support the state's record of promoting a good standard of living for its workers and economic equity among all its residents. Rewarding companies that offer

¹ "A" grades in the Earnings and Job Quality, Equity, Quality of Life subindexes.

² 2nd in employer-provided health insurance; 2nd in working poor; 2nd in poverty rate; 11th in involuntary part-time employment.

³ 6th in infant mortality; 8th in teen pregnancy; 1st in heart disease.

⁴ 5th in homeownership rate; 1st in voting rate.

⁵ "C" grade in the Employment subindex; 45th in mass layoffs.

low-wage, low-benefit jobs that make it harder for families to move up the economic ladder would only undermine the state's impressive track record.

Business Vitality: A

Minnesota displays a generally strong business climate, although no individual measures stand out.⁶ The state does well in terms of how many businesses stay open over time, but this pattern may be threatened, as the number of firm closings is increasing (something also hinted at, perhaps, by the state's high number of mass layoffs).⁷ In contrast, while Minnesota has been less successful in incubating new businesses, looking at the growth in the number of new firms over a five-year period suggests that there may be progress on this front.⁸ This trend should be encouraged, as cultivating homegrown businesses could help Minnesota to balance its economy, both in terms of economic diversity and size of business ventures. (See Promising Practices on Entrepreneurship – <http://www.cfed.org/go/DRCPromisingPractices> – for examples of innovative programs and policies that nurture entrepreneurs.)

Development Capacity: A

As suggested by its high rankings on the DRC health measures, Minnesota has invested wisely in providing its citizens with the health services they need. Not only can the majority of Minnesotans access qualified health professionals, but the number of state residents who lack such access is also on the decline.⁹ Additionally, the state has recognized the importance of investments in education, which are widely acknowledged to yield long-term returns in the quality of the workforce, the attractiveness of an area to relocating businesses, and, ultimately, economic growth. It ranks among the nation's top 10 states in basic educational skills, high school completion and attainment, and college attainment.¹⁰

For more information about the DRC and Minnesota's performance, and for the free, searchable, downloadable data that make up this report, go to www.cfed.org/go/drc.

⁶ "A" grade in the Competitiveness of Existing Businesses subindex; "B" grade in the Entrepreneurial Energy subindex (with no scores in either the top 10 or the bottom 10).

⁷ 12th in business closings; 49th in change in business closings; 45th in mass layoffs.

⁸ 32nd in new companies; 31st in change in new companies; 11th in five-year change in new companies.

⁹ 11th in health professional shortage areas; 2nd in change in health professional shortage areas.

¹⁰ 5th in reading proficiency; 2nd in math proficiency; 4th in high school completion rate; 1st in high school attainment; 9th in college attainment; 8th in change in high school attainment.