

Executive Summary

Strong fundamentals with stagnant job creation.

The Twin Cities region remains Minnesota's economic engine—home to 60 percent of the state's jobs, a dense concentration of Fortune 500 headquarters, and nationally competitive strengths in manufacturing, finance and insurance, healthcare, med-tech, and food wholesale trade. Its diversified economy, high quality of life, and great educational institutions have long underpinned regional stability. Yet from 2019 to 2024, the region posted zero net job growth even as most peer metros expanded. That paradox—strong fundamentals with stagnant job creation—defines today's challenge. Understanding the five trends underlying this paradox can help tackle the challenge and drive regional growth.

Tight labor market pressures underscore the need to close skills and access gaps to better connect employers and workers.

The Twin Cities boasts one of the highest labor participation rates in the country and a well-educated talent pool, particularly in STEM fields. Foreign born residents are a major source of workforce growth. Employers are increasingly adopting skill-based hiring, which opens doors for non-traditional candidates. However, the region has a tight labor market, with only 74 unemployed workers available for every 100 job openings in 2024.

Several factors contribute to the tight labor market: an aging workforce, with one in four workers nearing retirement; limited in-migration; and the underutilization of workers of color and immigrants. Additionally, mismatches between workers and employers—driven by gaps in skills and access—further constrain the labor supply.

The region must strengthen efforts to close skill gaps by better aligning training, credentials, and support services with employer needs. Minnesota is already focusing its workforce development strategies on high-demand sectors like advanced manufacturing, healthcare, and clean energy. Initiatives such as the Minnesota CHIPS coalition show how cross-sector collaboration can create pathways into industries like semiconductors and microelectronics—an approach that could be expanded to other industries.

Accessibility gaps also contribute to the disconnect between workers and available jobs. Many workers, particularly those with low incomes, struggle to find housing they can afford near available jobs as significant housing cost burdens restrict their housing options. At the same time, limited access to reliable transportation, especially for transit-dependent individuals, makes it difficult to reach jobs in areas underserved by transit.

Closing the access gap will require a multi-pronged approach. Effective strategies include expanding affordable housing options throughout the region, particularly in job-rich areas; investing in transit to improve connections to employment centers; and directing economic development efforts toward bringing jobs to areas with existing affordable housing and reliable transit access.

The region's ongoing labor shortage has heightened the urgency of attracting and retaining talent and businesses, especially by building a cohesive regional brand.

In addition to focusing on the development and retention of local talent by continuing to build a robust workforce development infrastructure, the region could address its tight labor market conditions by attracting and retaining new talent from outside the area.

While international immigration has been a steady contributor to workforce growth in the Twin Cities, domestic migration has been flat or negative, with key demographic groups such as college graduates and mid-career professionals leaving the region. The region struggles to retain and attract talent and businesses despite strong assets such as a high quality of life and a thriving economy characterized by strong legacy industries, innovation capacity, and civic leadership.

One contributing factor is the region's ongoing struggle to effectively market its assets to prospective talent and businesses. National visibility remains limited, as many people across the country are unfamiliar with the region. While the region is appealing to some target audiences, that appeal often isn't fully recognized until people experience the region firsthand. Ongoing efforts should be strengthened and elevated to create a cohesive approach to regional branding and marketing.

Coordinated, targeted, and well-funded marketing efforts aimed at priority audiences can strengthen the region's brand and close the recognition gap. Talent attraction campaigns can build upon the success of existing tourism promotion initiatives and can include strategies such as attracting business visitors or hosting national events and conferences to boost exposure to the region. The region's employers can work to retain local talent by partnering with educational institutions to support workforce pipelines; employers and state government can offer incentives such as tuition reimbursements to keep high school and college graduates in the region.

Bolstering startups and innovation is essential for driving business growth and expanding employment in the region.

The Twin Cities has a solid foundation for startups and innovation, with a rich history of entrepreneurship and strong corporate anchors in medical devices, high-tech manufacturing, and food products that drive strong patent activity. Although the region has fewer new business startups than peer regions, those that do launch have a higher-than-average survival rate. New businesses in the region provide approximately 20 percent of gross employment growth.

However, startup activity and innovation infrastructure are underperforming compared to peer regions in several key areas, such as venture capital, incubator capacity, and coordinated post-startup scaling support. The region faces competition from other regions in accessing venture capital. Underrepresented entrepreneurs, in particular, continue to face persistent barriers to access and opportunity. Together, these factors continue to limit job growth.

The Twin Cities region trails peer regions in private capital and equity investment, though efforts to build a stronger venture capital infrastructure are underway. Networks like the Minnesota

Investors Network and multiyear campaigns to engage more angel investors such as Angel Fest have contributed to this growing ecosystem. The region has also launched several targeted strategies to support startup and scale-up ventures in key sectors, including agriculture (MBOLD), clean energy (Grid Catalyst), and medical and health technology (Medical Alley).

While these nation-leading sectors benefit from strong incubator capacity that is essential for startups to grow, many other industries in the region lack the dedicated physical space and organizational support needed to sustain business incubators. Opportunities exist to partner with commercial real estate developers to create startup-friendly spaces and provide bundled services—such as legal support, accounting, and mentorship—within those environments.

While many organizations in the region offer support for startups, business growth often stalls after the initial launch phase. Without clear leadership and coordination, entrepreneurs—especially those from under-resourced communities—struggle to navigate a fragmented and often overwhelming ecosystem. Tools like MSP Startup Guide, which help founders sort through hundreds of available resources, are a step in the right direction. Strengthening collaboration among service providers improves support and continuity for growing businesses and the infrastructure for scaling startups.

Addressing long-standing racial disparities is essential for unlocking the full potential of the region.

Racial disparities in socioeconomic outcomes significantly affect the region's overall economic performance. While there has been measurable progress in reducing gaps in areas like poverty rates and wages, persistent disparities in critical outcomes—such as homeownership, income, and education—continue to constrain opportunities for Blacks, Indigenous people, and People of Color, both in the workforce and as business owners.

The underutilization of BIPOC residents as workers and entrepreneurs remains a barrier to regional growth, as it prevents the region from fully leveraging the talents and potential of its entire population. Compared to many peer regions, the region ranks very low in inclusive growth, further entrenching long-standing, intergenerational racial inequities in our communities.

Intergenerational racial inequities stem from systemic factors. Ongoing gaps in home and business ownership reflect the long-standing exclusion of BIPOC residents, hindering their ability to achieve financial stability and build generational wealth. Limited access to capital remains a significant barrier to both starting and expanding BIPOC-owned businesses. Additionally, disparities in educational outcomes play a major role in the overrepresentation of workers of color in low-wage industries.

Addressing racial disparities has the potential to drive substantial economic growth in the region. For example, closing racial gaps in unemployment could help alleviate tight labor market conditions by adding an estimated 41,000 workers of color to payrolls—enough to fill nearly two out of every three job vacancies. Likewise, eliminating racial earnings gaps by boosting the earnings of BIPOC residents could generate nearly \$11 billion in additional income that could be injected into the regional economy.

Significant efforts—such as the GroundBreak Coalition—are advancing long-term, intergenerational wealth-building strategies that go beyond income alone. Many Community Development Financial Institutions (CDFIs) are also working to expand capital access for BIPOC entrepreneurs, while workforce development initiatives are helping to align workers of color with the skills needed in today’s labor market. These are all important steps toward inclusive growth.

However, the region now faces emerging political and policy shifts, including anti-DEI efforts and changes in immigration policy. To protect hard-won progress, existing initiatives must adapt to this evolving landscape. The region must be prepared for potential economic shocks that could threaten investments in historically underserved communities.

The emerging climate economy presents both opportunities and challenges.

The Twin Cities region is making significant progress toward a clean, low-carbon economy, propelled by strong state policy commitments and local innovation through collaborative partnerships. Minnesota has set ambitious goals—100% carbon-free electricity by 2040 and net-zero emissions by 2050—and significant progress has been made. The region also benefits from a vibrant innovation ecosystem, with a diverse network of stakeholders driving research and advancements in clean energy solutions.

Although the region is well-positioned to lead in the emerging climate economy, several challenges remain in fully unlocking that potential. Achieving success will require significant infrastructure investments, including upgrades to the electrical grid, expanded energy storage, and a broader electric vehicle charging network. The region also has a limited presence in the clean energy supply chain, with much of the advanced manufacturing and research and development located elsewhere. Education and training programs are still aligning around green job opportunities, with more workforce development needed in building efficiency and renewable energy. Small and emerging businesses often face barriers to participating in large-scale wind and solar projects within the climate economy. The new clean economy lacks a clear definition, which makes it harder to track and coordinate industry efforts.

There are several strategies to help maximize the benefits of the climate economy. The State of Minnesota can institute state-level policies to address gaps in electric vehicle infrastructure. Efforts to attract value-added supply chain opportunities—such as manufacturing, headquarters, and research and development—would help anchor green industries in the region and enhance their impact on job creation and economic resilience.

Investing in workforce reskilling and upskilling and aligning training programs with climate-related job opportunities are essential to meeting the demands of the growing climate economy. Many small businesses remain unaware of available funding and partnership opportunities, highlighting the need for more targeted outreach and communication. Expanding access to training and green business opportunities for workers of color can also position the emerging climate economy as a meaningful driver of equity across the region. Ongoing efforts to define the new climate economy are key to tracking business growth and identifying potential partners for emerging collaborations.