

**MINNESOTA  
CHAMBER OF  
COMMERCE**

**GROWING MINNESOTA**

**N I N T H   A N N U A L**

# **20 24 BUSINESS BENCHMARKS**

**Scaling economic peaks:  
A summit of growth and challenges**








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# 2024 BUSINESS BENCHMARKS

Scaling economic peaks:  
A summit of growth and challenges

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A red flag on a black pole is positioned on the peak of a jagged, blue mountain range. The flag is a simple triangle with a small circle at the top of the pole. The background consists of various shades of blue, suggesting a sky or a misty atmosphere.

# Executive summary

**M**innesota is an exceptional state. A highly educated workforce and abundant natural resources power a diverse and robust economy. But it's important to understand the factors that define our economic competitiveness with other states. National rankings get a lot of attention but can mislead and oversimplify our economic position. When policymakers and others rely on these flawed economic analyses, it masks our actual economic position.

Each year, our Business Benchmarks report assembles data points into categories that make sense for business – taxes, costs, infrastructure, innovation, employment and growth. Measurements within each of these categories illustrate a clearer picture of their impact on businesses and how business leaders make decisions with ramifications on our state as a whole.

This year's report highlights and detangles some apparent contradictions in our rankings:

- Minnesota is the 5<sup>th</sup> best state to live in the U.S., yet we rank 42<sup>nd</sup> in net domestic migration, with more people leaving the state than moving here.
- Minnesota is among the most innovative states in the nation, producing the 6<sup>th</sup> most patents per capita. But we rank 45<sup>th</sup> in net tech job growth and are forecasted to be among the slowest-growing tech sectors over the next decade.
- Minnesota has among the highest labor force participation rates in the country. However, our workforce is smaller today than it was heading into the decade.
- Minnesota has a highly skilled and educated workforce, but third and eighth-grade reading and math test scores have fallen sharply in recent years.

It can be hard to make sense of these seemingly contradictory points at a detailed level. But take a step back, and the theme becomes clear: Minnesota's economy is rich with high-quality strengths, yet those strengths are not translating into meaningful economic growth.

An aging population means more workers are leaving the

workforce than entering it. Growth in the labor force is expected to be essentially flat in the coming decades. To grow our economy and raise the standard of living for all Minnesotans, we must fuel productivity growth through innovations, business investments and by boosting human capital (i.e., skills and training) across all segments of our workforce. We must also find ways to beat labor force projections. Sustained

efforts to retain and attract talent domestically and leverage our immigration advantage to attract talent across the globe could greatly improve Minnesota's demographic challenges.

Minnesota had the 17<sup>th</sup> largest economy in 2015. But by 2022, the state slid to 20<sup>th</sup> largest and was surpassed by faster-growing states like Tennessee, Arizona and Indiana. In 2004, Minnesota's

per capita income was 109% of U.S. per capita levels. By 2022, Minnesota's income advantage declined to just 105% of U.S. levels.

Failing to address these imperatives will not likely erode Minnesota's high-quality economy overnight. Indeed, the state still has above-average per capita incomes, productivity levels and a diverse base of leading companies. But the cost of slow growth over time should not be ignored.

We encourage you to read this report and understand what it could mean for your company. We encourage lawmakers to read this report and talk with businesses in your district. We hope this provides a greater understanding of the real elements of our business climate that impact business decisions and quality of life in Minnesota. ■



Doug Loon  
President and CEO,  
Minnesota Chamber of Commerce



## Minnesota's economy is rich with high-quality strengths but struggles to turn those strengths into meaningful economic growth.

### Strengths:

- Continued long-term economic stability, recovery
- Better cost of living, quality of life indicators
- Continued strength in the legacy of innovation
- Infrastructure improvements in transportation, broadband
- Labor force continuing to recover

### Challenges:

- Slow overall economic growth
- High taxes and regulation
- Increasing cost of doing business
- Demographic challenges, negative net domestic migration





# What defines best and worst?





**D**id you know that Minnesota is the 22<sup>nd</sup> dog-friendliest state in the nation? It is also the 9<sup>th</sup> “most fun” state in America and the 13<sup>th</sup> “weirdest.”

Research groups and news organizations rank states on everything, from the silly to the serious. The data they consider when comparing state-by-state performance is chosen to fit what they are trying to measure. Whether that is the number of shelters when defining dog-friendliness or the number of startups when defining support for small business. These ranking reports are often over-simplified and used as a marketing tool for the organization promoting the study. They often include subjective analysis on which economic indicators are included, which can skew the results.

Using data to define the “good” or “bad” in a business climate is complicated. The outcomes are clear, however: A good business climate is one that grows businesses, fosters innovation, builds a pipeline of talent and keeps tax, cost and regulatory burdens in check. It takes into account affordability and quality of life for employers and employees. Although the relative importance of these factors may vary by industry, company or geographic location, Minnesota businesses often report that a balanced approach is most important, with both cost and foundational competitiveness.

Over-simplified rankings are easy to understand. But placing too much emphasis on these rankings can be dangerous. When CNBC releases its “Top States for Business” each year, it’s largely reported as an accurate ranking based on elements of conducting business. In 2023, Minnesota ranked 5<sup>th</sup> best state for business in the nation, according to this report.

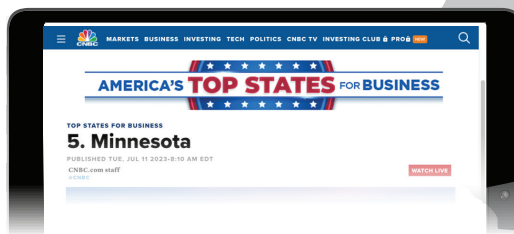
But their methodology gives more weight to elements of “life, health and inclusion,” than to factors such as cost and business friendliness, which businesses would prioritize. The same report gave Minnesota a C- for business friendliness and D+ for cost of doing business.

Other rankings to consider (#1 is best):

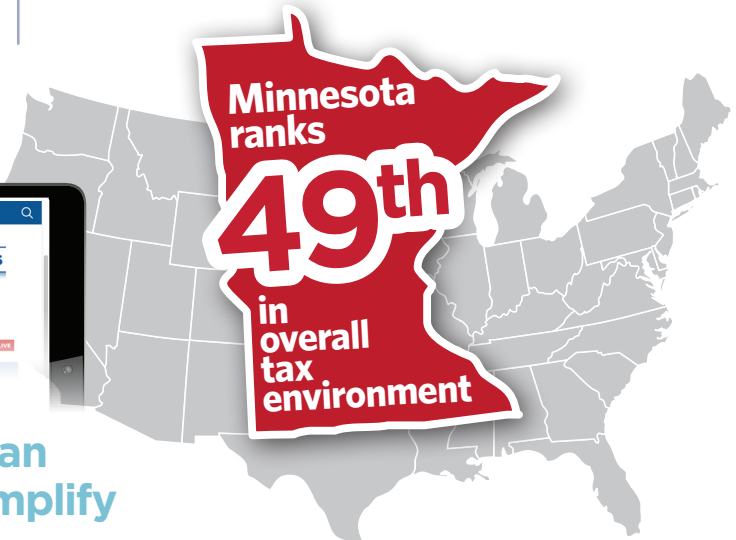
- **Minnesota ranks 19<sup>th</sup> by site selectors.** This survey uses nine metrics defined as critical for small business, including

lending, cost of living, real estate data, educated worker migration, corporate rates, state-level incentives for business owners and more.

- **Minnesota ranks 33<sup>rd</sup> for starting a business,** according to *Forbes*. Variables include taxes, cost of living, business survival rate and others.
- **Minnesota ranks 38<sup>th</sup> for starting a business,** according to WalletHub. Different variables are given prominence in this report, such as length of work week, share of engaged workers and percentage of COVID-19 vaccinated workers, among others.
- **Minnesota ranks 35<sup>th</sup> for small business,** according to Swift Filings. This report takes into account the relative cost of doing business, economic health and workforce productivity, fees and taxes, state support and loans and historical business survival rates.
- **Minnesota ranks 40<sup>th</sup> for business** according to a survey of 700 chief executives.
- **Minnesota ranks 45<sup>th</sup> in business tax climate,** according to the Tax Foundation.



## National rankings can mislead and oversimplify



- **Minnesota ranks 48<sup>th</sup> in economic competitiveness** according to the ALEC-Laffer State Competitiveness Index, which ranks the economic competitiveness of states using 15 equally weighted policy variables.
- **Minnesota ranks 49<sup>th</sup> in overall tax environment** according to the Massachusetts High Technology Council. Detailed rankings are also broken out in this report: Minnesota ranks 6<sup>th</sup> in growth and innovation, 11<sup>th</sup> in quality of life, 27<sup>th</sup> in talent and workforce and 39<sup>th</sup> in cost of business. ■

# Economy:

## Stable but trailing in growth

The strengths of Minnesota's economy - the fact that it is highly developed and diverse - provide stability. But the state's economy is growing slower over time, putting businesses at a competitive disadvantage. In 2022, Minnesota ranked 35<sup>th</sup> for GDP growth and 29<sup>th</sup> for job growth in the nation.

One year of below-average performance would not be cause for concern, but this below-average performance has occurred for most of the past two decades. Slow growth erodes Minnesota's success over time. For example, if the state's economy grew at the same rate as the U.S. economy from 2007-2022, Minnesota's total real GDP would be \$16 billion larger. It would be \$27 billion larger if it matched U.S. growth since 2000.

Minnesota still punches above its weight class in per-capita GDP, ranking 22<sup>nd</sup> in population but 15<sup>th</sup> in per-capita GDP. Overall GDP has slipped from 17<sup>th</sup> to 20<sup>th</sup> since 2015 as other states surpassed Minnesota in overall growth. ■

### MINNESOTA RANKING: 1ST IS BEST

GROWTH IN STATE GDP	2022 <b>Ranked 35th</b> 1.2% National average: 1.9%	WORSE <b>3</b> SPOTS FROM 2021
ANNUAL EXPORTS	2022 <b>Ranked 15th</b> 16.2% National average: 18%	BETTER <b>18</b> SPOTS FROM 2021
ANNUAL JOB GROWTH	SEPTEMBER 2023 <b>Ranked 29th</b> 1.7% National average: 2.1%	WORSE <b>14</b> SPOTS FROM 2022
ANNUAL PER CAPITA PERSONAL INCOME GROWTH	2022 <b>Ranked 17th</b> 3.0% National average: 1.6%	BETTER <b>7</b> SPOTS FROM 2021
OUTPUT PER WORKING ADULT	2021 <b>Ranked 12th</b> \$96,493 National average: \$92,883	SAME RANKING AS 2020
UNEMPLOYMENT RATE	SEPTEMBER 2023 <b>Ranked 23rd</b> 3.1% U.S. rate: 3.8%	WORSE <b>22</b> SPOTS FROM 2022



## Taxes:

### Other states reducing taxes since 2021

Costs and regulatory burdens remain a top concern of businesses and an essential component of the business climate impacting growth and investment. According to site selectors – location strategy experts who partner with companies to assess how locations meet business growth needs – the top two most important location criteria are workforce skills and state and local taxes.

Unfortunately, Minnesota has become less competitive as other states use budget surpluses to reduce tax burdens and rates. Since 2021, 25 states have cut individual income tax rates, with 23 of those reducing their top rates and 13 cutting corporate income tax rates. Unless lawmakers intervene, Minnesota will have the highest corporate rate in the nation in 2024. Studies show high rates undermine investment, startups, talent recruitment and retention and lower economic growth. ■

#### MINNESOTA RANKING: 1ST IS HIGHEST


STATE BUSINESS TAX CLIMATE INDEX	2024 <b>Ranked 7th</b>	BETTER <b>1</b> SPOT FROM 2023
PASS-THROUGH AND INDIVIDUAL INCOME TOP TAX RATES	2023 <b>Ranked 6th</b> 9.85%	SAME RANKING AS 2022
STATE AND LOCAL SALES TAX RATES	2023 <b>Ranked 17th</b> 7.52%	SAME RANKING AS 2022
CORPORATE INCOME TAX RATE	2023 <b>Ranked 2nd*</b> 9.8% <small>*MN #1 in nation in 2024 as NJ rate drops</small>	WORSE <b>1</b> SPOT FROM 2022
OVERALL STATE AND LOCAL TAXES PER CAPITA	2021 <b>Ranked 9th</b> \$7,457 <small>National average: \$5,409</small>	WORSE <b>1</b> SPOT FROM 2020
STATE GAS TAX	JULY 2023 <b>Ranked 31st</b> 28.6¢/gallon	BETTER <b>4</b> SPOTS FROM 2022

# Cost of doing business:

## Business costs up

Taxes are not the only cost that matters when running a business, and they aren't the only costs on the rise in Minnesota. While many of the rankings in this category are in the middle of the national pack, some are trending upward and some have improved. It is equally important to have a competitive cost structure for other business input costs. ■

### MINNESOTA RANKING: 1ST IS HIGHEST COST

<p><b>ELECTRICITY</b> (AVERAGE PRICE FOR INDUSTRIAL CUSTOMERS)</p>	<p>2023 <b>Ranked 14th</b> 9.11¢/kWh National average: 7.99¢/kWh</p>	<p>BETTER <b>2</b> SPOTS FROM 2022</p> 
<p><b>INDIVIDUAL HEALTH INSURANCE PREMIUM</b> (EMPLOYER SPONSORED)</p>	<p>2022 <b>Ranked 30th</b> \$7,526 National average: \$7,590</p>	<p>BETTER <b>11</b> SPOTS FROM 2021</p> 
<p><b>WORKERS' COMPENSATION PREMIUMS</b></p>	<p>2022 <b>Ranked 12th</b> 122% of median National average 100%</p>	<p>WORSE <b>5</b> SPOTS FROM 2020</p> 
<p><b>UNEMPLOYMENT TAX RANKING</b></p>	<p>2022 <b>Ranked 17th</b></p>	<p>WORSE <b>6</b> SPOTS FROM 2021</p> 
<p><b>COST OF LIVING</b></p>	<p>2021 <b>Ranked 20th</b> 98.4 National average: 100</p>	<p>SAME RANKING AS 2020</p> 



# Innovation:

## Still strong but needs tech growth

Innovation has long been an ingredient for Minnesota’s economic success, and it will be an increasingly important driver of economic growth as demographic challenges slow the growth of the workforce.

The good news is that Minnesota ranks 6<sup>th</sup> highest in patents per capita and 7<sup>th</sup> best for overall workforce technology. But it’s troubling that according to CompTIA, Minnesota ranks 45<sup>th</sup> in growth in the technology industry – a critical measurement of the state’s success in innovation. ■

### MINNESOTA RANKING: 1ST IS BEST

WORKFORCE TECHNOLOGY AND SCIENCE MILKEN INDEX	2020 <b>Ranked 7th</b>	WORSE <b>1</b> SPOT FROM 2020
VENTURE CAPITAL PER CAPITA	2022 <b>Ranked 15th</b> \$398 National average: \$734	BETTER <b>9</b> SPOTS FROM 2021
BUSINESS 5-YEAR SURVIVAL	2018-2023 <b>Ranked 1st</b> 57.6% National average: 52%	BETTER <b>10</b> SPOTS FROM 2017-2022
ENTREPRENEURSHIP NEW EMPLOYER BUSINESS RATE STARTUP ACTIVITY	2021 <b>Ranked 32nd</b> 0.12 per 100 people National average: 0.15 per 100 people	WORSE <b>2</b> SPOTS FROM 2020
PATENTS PER CAPITA	2022 <b>Ranked 6th</b> 694/million people National average: 478/million people	BETTER <b>1</b> SPOT FROM 2021

# Infrastructure:

## Steady improvements result in success

The Minnesota Legislature made historic increases in resources toward infrastructure in 2023, using some of the nearly \$18 billion surplus for transportation, housing and broadband. The results of those investments will not be reflected in the rankings for a few years. But even in the data reported here, Minnesota has seen steady improvement in key indicators of sound infrastructure, including highway performance and broadband coverage. ■

### MINNESOTA RANKING: 1ST IS BEST

TOTAL SCHEDULED FLIGHTS	2023 <b>Ranked 18th</b> of 798 airports 131,437 flights	WORSE <b>3</b> SPOTS FROM 2022 
TOTAL FREIGHT RAIL MILES	2021 <b>Ranked 8th</b> 4,373 freight rail miles	SAME RANKING AS 2020 
COMMUTE TIMES	2021 <b>Ranked 12th</b> 23.5 minutes National average: 27.6 minutes	BETTER <b>6</b> SPOTS FROM 2020 
OVERALL HIGHWAY PERFORMANCE	2021 <b>Ranked 12th</b>	BETTER <b>6</b> SPOTS FROM 2020 
BROADBAND COVERAGE (100 MBPS ACCESS AT LEAST)	2023 <b>Ranked 20th</b> 95.6% National average: 92.5%	BETTER <b>8</b> SPOTS FROM 2022 

# Workforce:

## Short-term growth but persistent long-term challenges

Minnesota's labor force continues to recover from the impacts of the 2020 downturn. The state added over 29,000 people to the labor force in 2022 but remains well below pre-pandemic workforce levels. And the labor force is expected to grow by a nearly flat rate of 0.2% annually from 2019-2030.

The state's long-term demographic challenges will continue to constrain growth in the labor market and economy. The scarcity of workers continues to be one of Minnesota's most significant barriers to sustained economic growth as businesses across industries struggle to find workers they need to scale and expand their operations. Adding to the impact of an aging population, Minnesota ranked 42<sup>nd</sup> nationally in net domestic migration in the past two years, with nearly 36,000 more people leaving than moving to the state since 2020.

Despite these challenges, however, Minnesota still boasts a hard-working and highly skilled workforce, outperforming the nation in labor force participation, education levels and net international immigration. The question is whether Minnesota will maintain these desirable workforce qualities over time. ■

### MINNESOTA RANKING: 1ST IS BEST

8TH-GRADE READING SCORES	2022 <b>Ranked 18th</b> 260 average National average: 259	BETTER <b>2</b> SPOTS FROM 2019
ON-TIME HIGH SCHOOL GRADUATION RATE	2020 <b>Ranked 32nd</b> 84% National average: 87%	BETTER <b>4</b> SPOTS FROM 2019
LABOR PARTICIPATION RATE	SEPTEMBER 2023 <b>Ranked 7th</b> 68.5% National average: 62.8%	WORSE <b>1</b> SPOT 2022
NET DOMESTIC MIGRATION	7/1/2021 TO 6/30/2022 <b>Ranked 42nd</b> (19,400) net loss	SAME RANKING 2021
NET INTERNATIONAL IMMIGRATION	7/1/2021 TO 6/30/2022 <b>Ranked 19th</b> 14,194 gain	SAME RANKING 2021





# Minnesota Chamber: Let's grow together

The Minnesota Chamber of Commerce has provided a voice – the collective voice – for businesses for nearly 115 years. They have fostered their vision of a future for business that improves the lives of all Minnesotans by successfully shaping Minnesota's economy and helping businesses thrive and grow within the state.

**The average Chamber member stays for more than 30 years.**

## Your voice at the Capitol

You need lawmakers to pass policies that help grow the economy. We provide one voice – a collective voice – for employers, employees and the broader business community to ensure that public policies support long-term economic growth in Minnesota.

## Your connection to business

You need a vast array of connections in the business world. We give you access to a statewide network of business peers – opportunities to meet each other and stay at the forefront of business trends through events, sponsorships and leadership programs.

## Your opportunity to grow

You need ways to run your business that save time and money. We hope to better understand your business challenges and offer solutions through collaboration, business products, programs and one-on-one business services.

## Your resource on the economy

You need to understand the shifting landscape of business, to make critical decisions for your future. The Minnesota Chamber Foundation provides economic data and solutions to critical challenges facing business today, including the workforce shortage and diversity, equity and inclusion.

We are Minnesota's largest broad-based business organization with more than 6,300 companies as members – and more than half a million employees – throughout Minnesota. The Chamber builds on its legacy as a voice for business by advancing public policy that grows jobs and the economy, and providing valuable services to members so they stay and grow in Minnesota. A business climate that allows for innovation and forward-thinking leadership will help grow the strength of Minnesota's economy for future generations. ■

**FOR MORE  
INFORMATION  
ABOUT  
MEMBERSHIP**



## Minnesota Chamber business services: Your opportunity to grow

**Business insurance** protects your company from losses that occur during the course of normal business, property damage, legal liability and employee-related risks.

**Employee benefits** make you more competitive. The Minnesota Chamber has been a trusted partner in offering low-cost benefits for nearly 75 years.



### ChamberHealth

ChamberHealth is high-quality, affordable health insurance for small and mid-sized employers.



#### Benefits may include access to:

- Lower premiums
- Features and benefits typically available only to large employers.
- Local doctors, hospitals and providers
- An employee benefit to attract and retain top workers



Minnesota Chamber Marketplace

**Trust in us.**

**The Minnesota Business Podcast**  
– A brief weekly summary of the state’s top headlines in business and public affairs!



## Economic data from the Minnesota Chamber: Empowering Minnesota’s economic future

Understanding Minnesota’s economic future is key to its long-term success. The Minnesota Chamber Foundation and Grow Minnesota! program play a critical role in strengthening the business environment to improve the lives of all Minnesotans through economic research.

### Minnesota: 2030 2023 Edition

A forward-thinking report providing a framework for economic growth in Minnesota.



The Minnesota Chamber Foundation will release an in-depth analysis of Minnesota’s environmental permitting process in 2024. This objective report will examine Minnesota’s permitting process, compare it to other states and put a price on the cost of delays and impact of litigation.

**MINNESOTA CHAMBER FOUNDATION**

GROWING MINNESOTA

### Grow Minnesota! data

Real-time private-sector data from the state’s premier business assistance program.



**Grow Minnesota!**  
Minnesota Chamber of Commerce

## Workforce diversity, equity and inclusion playbook:

Providing businesses with a simplified and attainable approach through utilization of the online DEI resource center.



Diversity, equity and inclusion playbook

# Thank you, Chamber Federation

Minnesota Chamber advocacy is further bolstered by the 50-plus partners who are unified as the Minnesota Chamber Federation – local chambers of commerce that adopt and advocate for your top legislative priorities.

Albert Lea-Freeborn County Chamber of Commerce

Alexandria Lakes Area Chamber of Commerce

Anoka Area Chamber of Commerce

Apple Valley Chamber of Commerce

Austin Area Chamber of Commerce

Bemidji Area Chamber of Commerce

Brainerd Lakes Chamber of Commerce

Burnsville Chamber of Commerce

Cloquet Area Chamber of Commerce

Cottage Grove Area Chamber of Commerce

Cuyuna Lakes Chamber of Commerce

Dakota County Regional Chamber of Commerce

Duluth Area Chamber of Commerce

Eden Prairie Chamber of Commerce

Elk River Area Chamber of Commerce

Fargo Moorhead West Fargo Chamber of Commerce

Faribault Area Chamber of Commerce and Tourism

Fergus Falls Area Chamber of Commerce

Glenwood Lakes Area Chamber of Commerce

Grand Forks/East Grand Forks Chamber of Commerce

Grand Rapids Area Chamber of Commerce

Greater Mankato Growth

Greater Stillwater Chamber of Commerce

Hastings Area Chamber of Commerce & Tourism Bureau

Hermantown Area Chamber of Commerce

Hibbing Area Chamber of Commerce

Hutchinson Area Chamber of Commerce

International Falls Area Chamber of Commerce

Lake County Chamber of Commerce

Lakeville Area Chamber of Commerce and CVB

Laurentian Chamber of Commerce

Litchfield Area Chamber of Commerce

Lonsdale Chamber of Commerce

Marshall Area Chamber of Commerce

MetroNorth Chamber of Commerce

New Ulm Area Chamber of Commerce

Northfield Area Chamber of Commerce

Owatonna Area Chamber of Commerce and Tourism

Pipestone Area Chamber of Commerce

Red Wing Chamber of Commerce

Redwood Falls Area Chamber of Commerce

River Heights Chamber of Commerce

Rochester Area Chamber of Commerce

St. Cloud Area Chamber of Commerce

Sauk Centre Area Chamber of Commerce

Shakopee Chamber of Commerce

Southwest Metro Chamber of Commerce

St. Paul Area Chamber

Thief River Falls Chamber of Commerce

Twin Cities North Chamber of Commerce

Waconia Chamber of Commerce

Waseca Area Chamber of Commerce

White Bear Area Chamber of Commerce

Willmar Lakes Area Chamber of Commerce

Winona Area Chamber of Commerce

Woodbury Area Chamber of Commerce

Worthington Area Chamber of Commerce

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