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The State of Rural Minnesota, 2025

The shifts in trends from the pandemic continue in the most recent data release.

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Each year, the Center for Rural Policy and Development provides an update on various economic and demographic data pertaining to rural Minnesota. As policy discussions concerning the various regions of the state unfold, it is important to understand the past, present, and potential futures of rural regions. This report provides historical data points illustrating how rural conditions have changed and where they are at now, making for healthy discussions about the current demographic and economic vitality of these areas.

Rural Atlas Online

To supplement and support the annual State of Rural Minnesota report, we also maintain and regularly update the Atlas of Rural Minnesota Online. This collection of interactive maps and charts provides readers with a higher-level analysis of the data, breaking it down in a variety of ways to give a better understanding of Minnesota's demographic, economic, and societal characteristics at the state, county, planning region, and economic development region levels. Visit http://www.ruralmn.org/atlas-online-2025/ to view the site.

The quick takeaways for 2024

People

Immediately following the pandemic, there was a significant shift in population patterns. For the first time in decades rural counties were experiencing population gains. In rural areas, these modest gains were due to in-migration. However, long-term population gains are likely unrealistic due to rural Minnesota's aging population and the increasing number of deaths that will occur there over the next 20 years.

- The newest population estimates reveal that rural Minnesota counties again experienced a population increase from in-migration, and many rural counties had a higher population in 2023 than in 2020.
- It should be noted that these recent shifts are sudden and modest. Unless something happens to cause significant changes over the long term in in-migration, either internationally or from other states, Minnesota's population is still projected to decline across much of the state over the next 20 to 30 years.
- BIPOC populations continue to account for a significant part of the growth in many rural Minnesota counties; the counties with the highest percentages will likely see population growth over the coming decades.

Economic Vitality

There are only a few significant differences among the industries that employ Minnesota residents when comparing urban and rural areas.

- The education and health services industry sector is the largest employer in a majority of Minnesota counties.
- Rural counties have a higher percentage of people employed in resource extraction and government jobs or who are self-employed, while the Twin Cities area has a significant share of people employed in the professional and business services sector, which includes jobs like management of companies, legal advice and representation, and accounting.
- Greater Minnesota's workforce vacancy rates continue to be high. The largest increases in wages for job vacancies have occurred in Greater Minnesota as well, although wages are now rising in the Twin Cities as the workforce shortage hits the metro area.
- Although rural Minnesota's median wages and earnings are still below those of the Twin Cities, regions outside of the Twin Cities are experiencing the largest increases.
- Increasing earnings and wages coupled with rural regions' lower cost of living makes up for the difference in wages and earnings. However, variation exists, for example, in the central lakes region and the counties north of the Twin Cities metro, areas where median wages make up a lower percentage of the cost of living compared to other regions of Minnesota.

People

Domestic migration driving changes in population growth rates.

While a majority of the state's most rural counties experienced a steady population *decline* during the 2010s, a shift seems to have occurred at the beginning of the 2020s and continued in 2023.

In 2019, 46 counties (all rural) had a lower population than in 2010. So far this decade, only 21 counties have a lower population in 2023 than they did in 2020, and one of those counties is entirely urban (Ramsey). In Greater Minnesota, population growth can typically be found in three types of counties: counties that are considered recreational (central lakes), counties where non-white populations are concentrated (e.g. Nobles), and in metropolitan counties such as Blue Earth and Olmsted. However, since 2020, many counties that don't fit these categories are experiencing population growth, or at least, very minor declines (Figure 1).

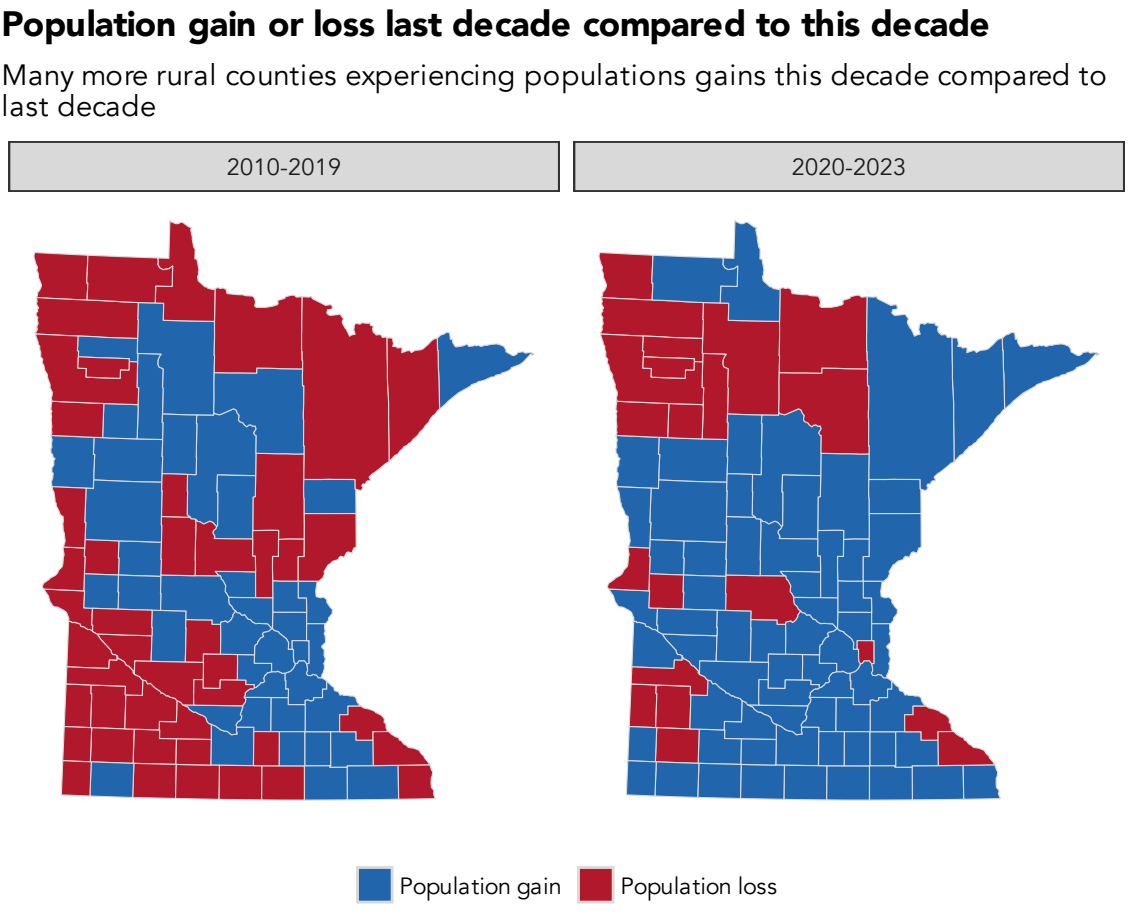

Figure 1: The number of counties that reported population growth during 2020-2023 is significantly higher compared to the previous decade due to shifts in migration patterns. Data: U.S. Census Decennial Census & American Community Survey 5-year

Two factors drive population change: natural change (births minus deaths) and migration (out- and in-migration). Figure 2 highlights two interesting trends that are occurring throughout Minnesota. The first trend is having a negative impact on population across all of Minnesota—the increasing number of deaths and decreasing number of births have led much of Minnesota to begin experiencing negative natural change, particularly in the most rural areas of Minnesota. The second trend is the change in net migration—since the mid-2010s, rural areas have begun to see an increasing in-migration of people while the most urban areas of Minnesota are experiencing a net out-migration, at least in the aggregate.

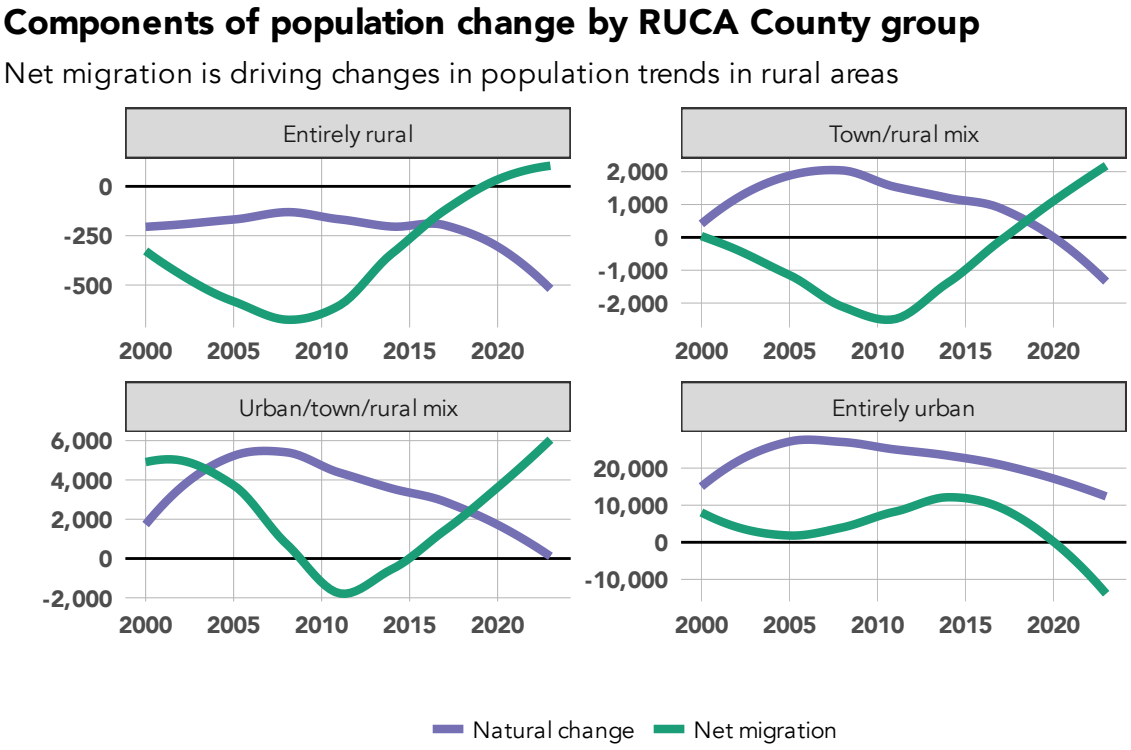

Figure 2: The components of change show two interesting trends. First is the negative trend line of natural change across all of Minnesota due to the large percentage of older adults residing in the state. Second is the migration trends: rural Minnesota is experiencing a net in-migration while the most urban counties of the state are experiencing a net out-migration. Data: U.S. Census Bureau, Population Estimates

But it wasn't this way for all entirely urban counties. The loss was mostly felt in Ramsey and Hennepin counties, not necessarily in the suburbs or urban areas in Greater Minnesota. Figure 3 provides just the net migration change and splits up our entirely urban counties into three groups: entirely urban counties in Greater Minnesota, counties with the largest population centers; the suburbs of the seven-county Twin Cities metro; and Ramsey and Hennepin together. The chart shows that the Twin Cities metro took the brunt of the loss due to out-migration—between 2020 and 2023, 87,839 more residents left Hennepin and Ramsey counties than moved into them. Compared to that, the suburbs gained over 134,000 residents and urban counties outside the metro gained 53,000 through migration change.

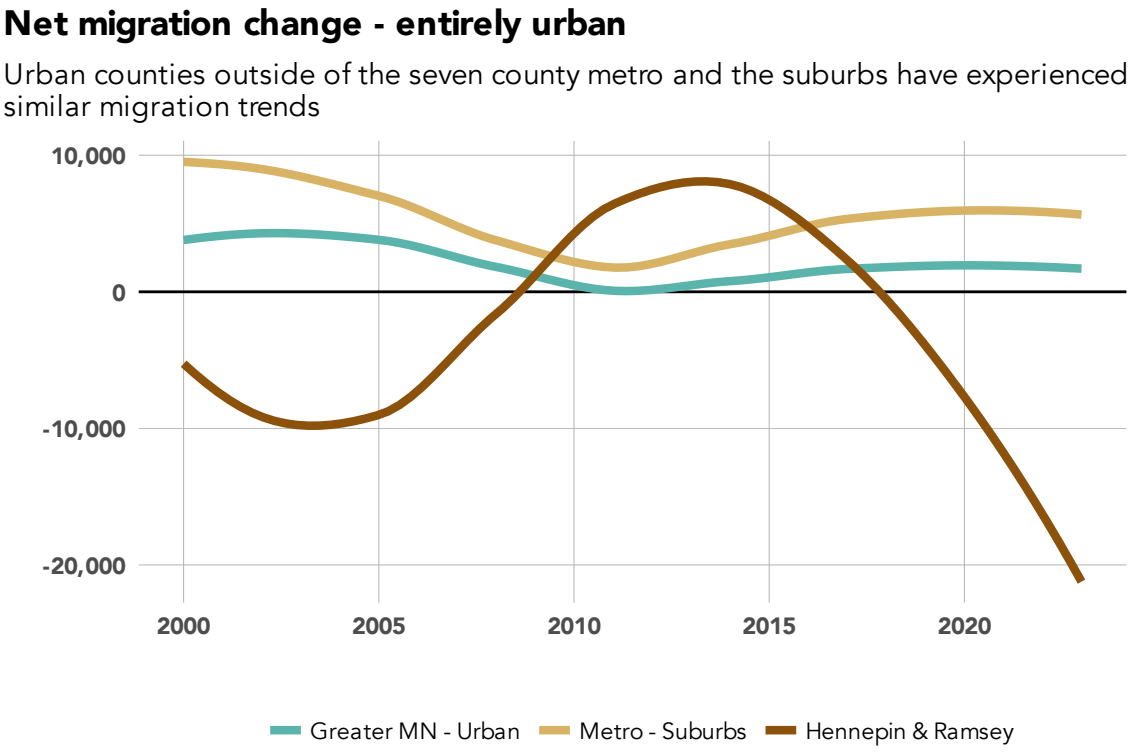

Figure 3: Hennepin and Ramsey counties took the brunt of population loss from out-migration from 2017 to 2023, while entirely urban counties located in the suburbs and outside of the metro experienced very similar migration trends. Data: U.S. Census Bureau, Population Estimates

When discussing natural change and in-migration and comparing this decade to last, however, we need to be aware that this decade has not been typical at all. A major story that may be masked by the migration patterns around the state concerns what is going on with birth and death rates. Since 2007, death rates have been rising steadily for a variety of reasons, ranging from a population that is on average aging more rapidly to the growing epidemic of diseases and deaths of despair, the triad of drug abuse, alcohol abuse, and suicide that were growing unabated before COVID.

Figure 4 provides the number of births and deaths annually by rural-urban commuting area county group. Starting in 2017, all of Minnesota began experiencing a rise in the number of deaths, while births remained relatively flat. Before 2017, rural areas essentially "broke even" with about the same number of births and deaths, keeping their impact on overall population change neutral. However, these areas are now experiencing significantly more deaths than births.

Components of natural change

Rural areas are experiencing significantly more deaths than births

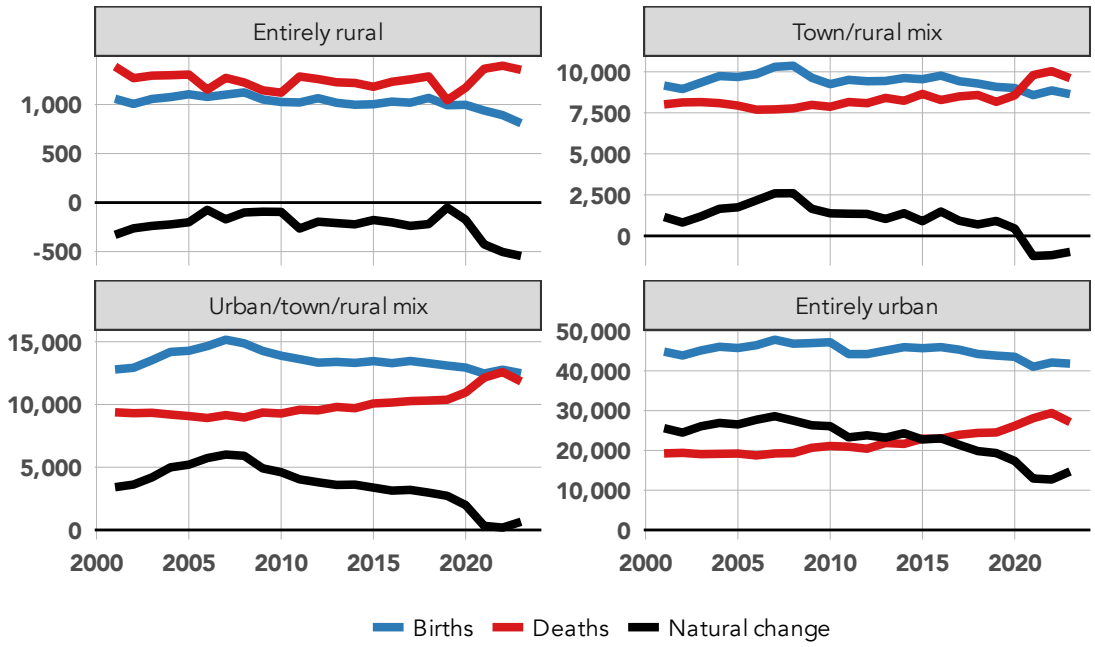

Figure 4: Due to demographic shifts, the pandemic, and other social ills, deaths are increasing across Minnesota while births remain stagnant. In rural Minnesota, there are now significantly more deaths than births. Data: U.S. Census Bureau - Population Estimates

That combination of low birth rates and high death rates hit rural regions particularly hard, where the average population is already older and counties have been experiencing a negative natural change rate for a number of years already. It's here that these surprising in-migration numbers may be particularly welcome. However, this trend in natural change isn't going to subside. In fact, it's likely to get worse as the Baby Boomer generation continues to age.

Growth in BIPOC populations isn't only occurring in urban areas

Many tend to believe that Black, Indigenous, Hispanic populations and other people of color are largely concentrated in metropolitan counties. However, Greater Minnesota has experienced considerable growth in these populations as well. In fact, three of the top five counties with the highest percentage of BIPOC populations are outside of the seven-county metro: Mahnomen (55%), Nobles (47%), Ramsey (41%), Hennepin (34%) and Watonwan (31%).

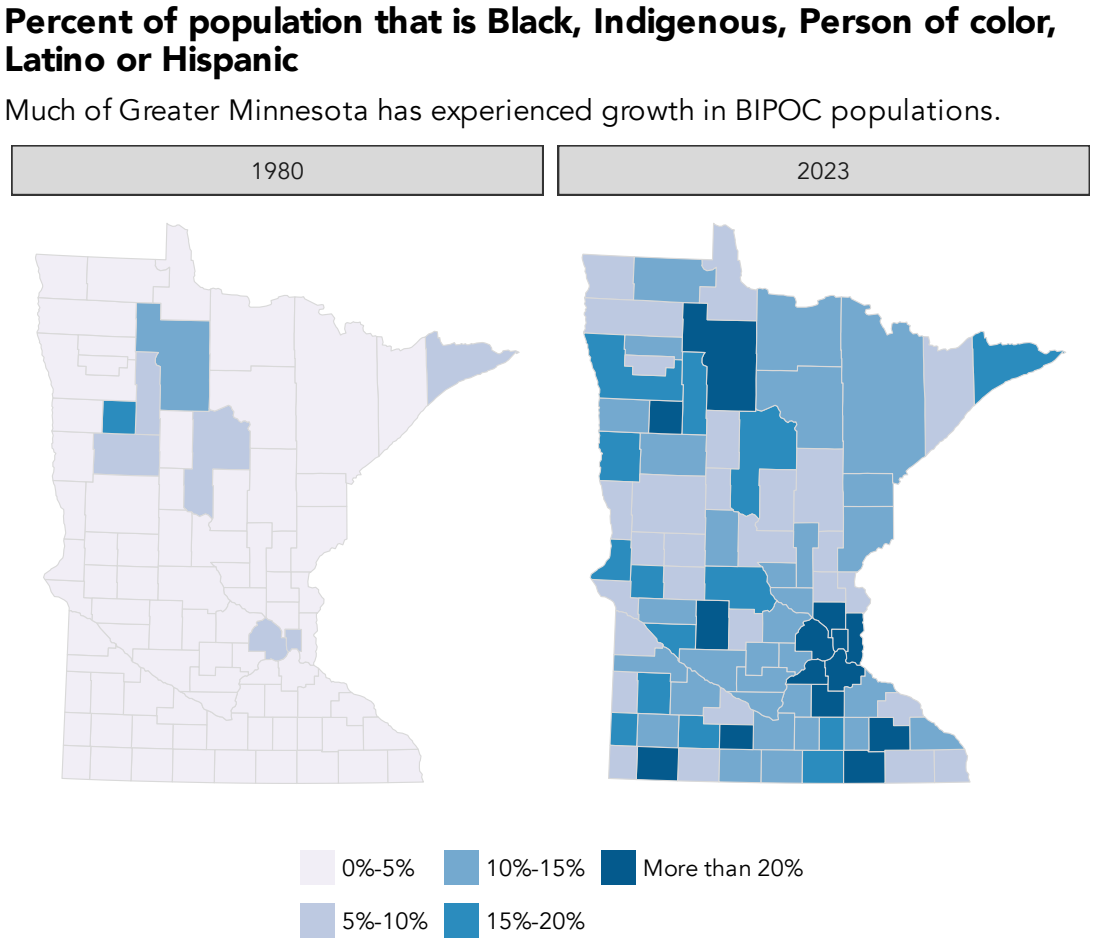

Figure 5: By 2023 many counties in Greater Minnesota have BIPOC populations making up over 10% of their total population. Data: US Census Bureau, ACS 5-year | Decennial Census

People recruitment: in-migration of 30- to 49-year-olds

Another aspect of migration data that can be hidden is the trend in migration by age group. Even though most rural areas have been experiencing an overall out-migration, it is not always a loss among all age groups. In fact, many rural counties see an in-migration of people between the ages of 30 and 49. In lake regions, that age range extends out to include even older households as they retire and move to lake homes.

Many rural development organizations, county boards, and municipal organizations are participating in "people recruitment" strategies to take advantage of this migration pattern, which is well documented by the University of Minnesota Extension[1] and in our report on recruiting workforce.

Figure 6 provides a glimpse into this trend. For any location in the state, it can be expected that if all conditions stay the same, the number of 25- to 29-year-olds counted in the 2010 Census will be equal to

[1] Find more on this research at https://extension.umn.edu/economic-development/rural-brain-gain-migration

the number of 15- to 19-year-olds in the 2000 Census—the same people, just ten years older. All conditions do not stay the same, however: at the end of that ten-year period there may be more or fewer people than would be expected for that age group—hence an in-migration or out-migration.

Such is the case in Minnesota. Between 2000 and 2010, almost all rural counties experienced an out-migration of people who would be 25 to 29 years old in 2010 (Figure 6). They had migrated away somewhere in the previous ten years. But while this age group was migrating out, the next age group older, those entering their early 30s in 2010, were migrating into these rural counties. The question now, of course, is whether the 2020 Census will show this trend continuing. Given the patterns seen in figures 2 and 3, this trend likely held steady through the 2010s as well. We are still waiting for accurate data to confirm this trend.

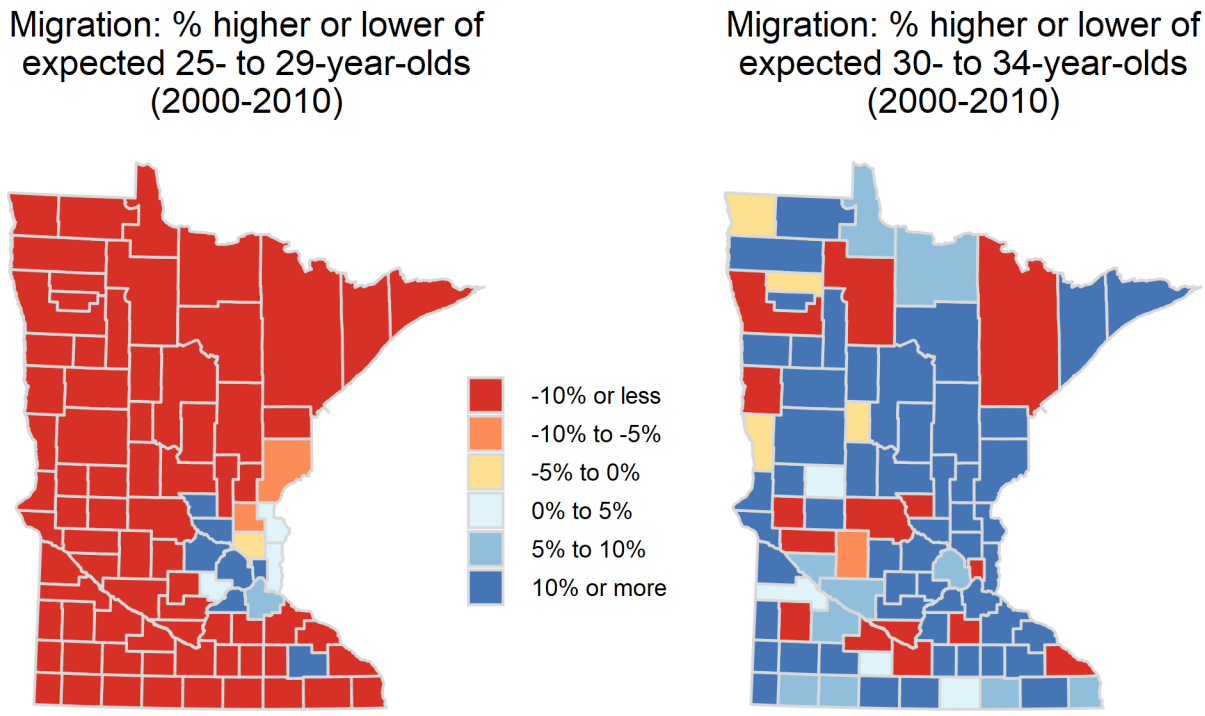

Figure 6: All counties outside the Twin Cities area except Olmsted and Benton saw an out-migration of 25- to 29-year-olds (left), but at the same time, rural counties saw significant in-migration of 30- to 34-year-olds (right). Rural areas tend to see this trend up to 49-year-olds. Data: U.S Census Bureau Decennial Census

Economic vitality

Like the state's urban areas, the rural economy is diverse. While the education and health services industry sector is the top employer in most counties, other industries, such as agriculture in the western counties, are also significant.

Where do people work?

Note: One issue that arises when looking at jobs and employment in rural areas is that many data sources only capture workers covered by unemployment insurance, which does not include most farms and other resource extractive jobs. In previous years, we were able to avoid this issue by using data from the Bureau of Economic Analysis. Unfortunately, that data is no longer provided; therefore, we are using data from the American Community Survey, which will, unfortunately, undercount workers who are not covered by unemployment insurance (i.e. farm employment).

As Figure 7 shows, the highest percentage of employment continues to be in the education and health services industry sector across Minnesota.

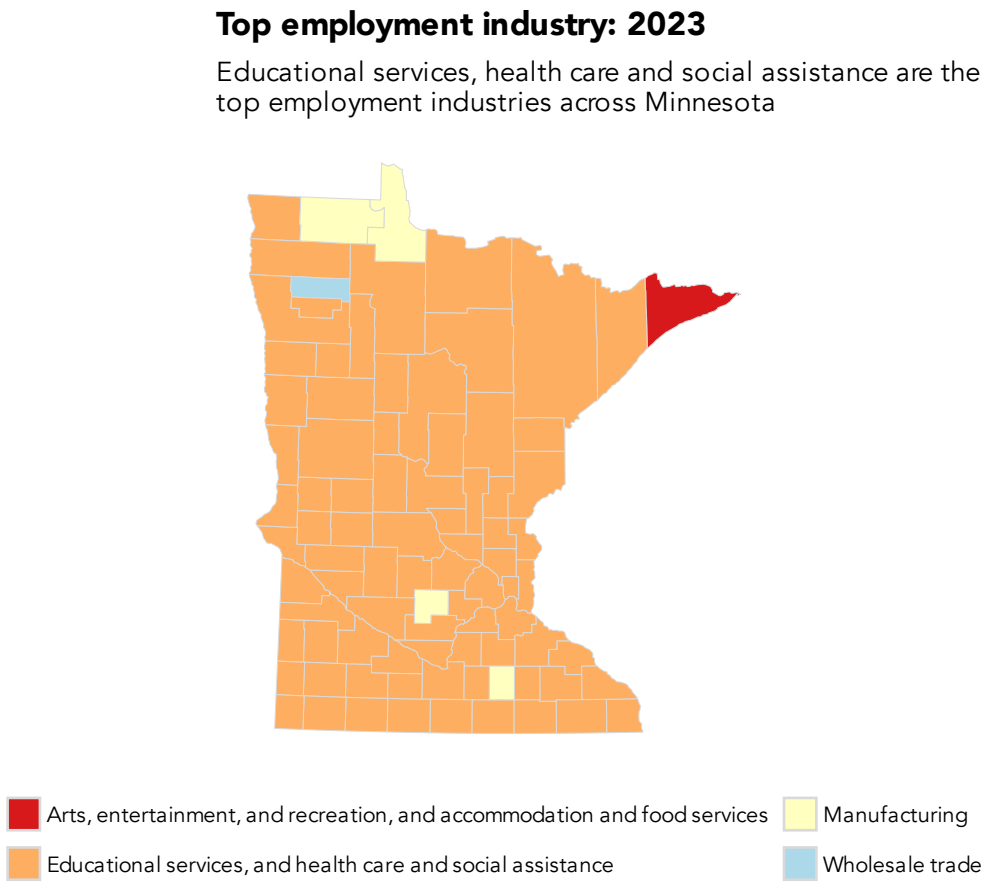

Figure 7: The top employment industry across nearly all of Minnesota is in the educational services, health care and social assistance industry sector. Data: U.S. Census Bureau – ACS 5-year

Besides education and health services, the top industries around the state in terms of employment include manufacturing; arts, entertainment, and recreation and accommodation and food services; construction; retail trade; agriculture, forestry, fishing and hunting, and mining; and finance and insurance, and real estate and rental and leasing (Table 1).

Table 1: 2023 top five employment industries by RUCA group. Includes percent of total employment in each industry. Data: U.S. Census Bureau – ACS 5

Rank	Entirely rural	Town/rural mix	Urban/town/rural mix	Entirely urban
1	Educational services, etc...: 38%	Educational services, etc...: 38%	Educational services, etc...: 40%	Educational services, etc...: 36%
2	Manufacturing: 18%	Manufacturing: 23%	Manufacturing: 21%	Manufacturing: 19%
3	Agriculture, forestry, fishing and hunting, and mining: 16%	Retail trade: 17%	Retail trade: 16%	Professional, etc...: 18%
4	Retail trade: 16%	Construction: 12%	Construction: 13%	Retail trade: 15%
5	Construction: 12%	Arts, recreation, etc...: 11%	Arts, recreation, etc...: 11%	Finance and insurance, etc...: 12%

Another difference is in the percentage of people employed by government. Government is a major employer in many rural counties, where the need for a baseline of services can be disproportionate to the population, but that share of total jobs has been trending downward since 2020. In 2022, 16% of total jobs in the entirely rural county group were in government, 13% in the town/rural group and urban/town/rural group, and 10% in the entirely urban county groups (Figure 8).

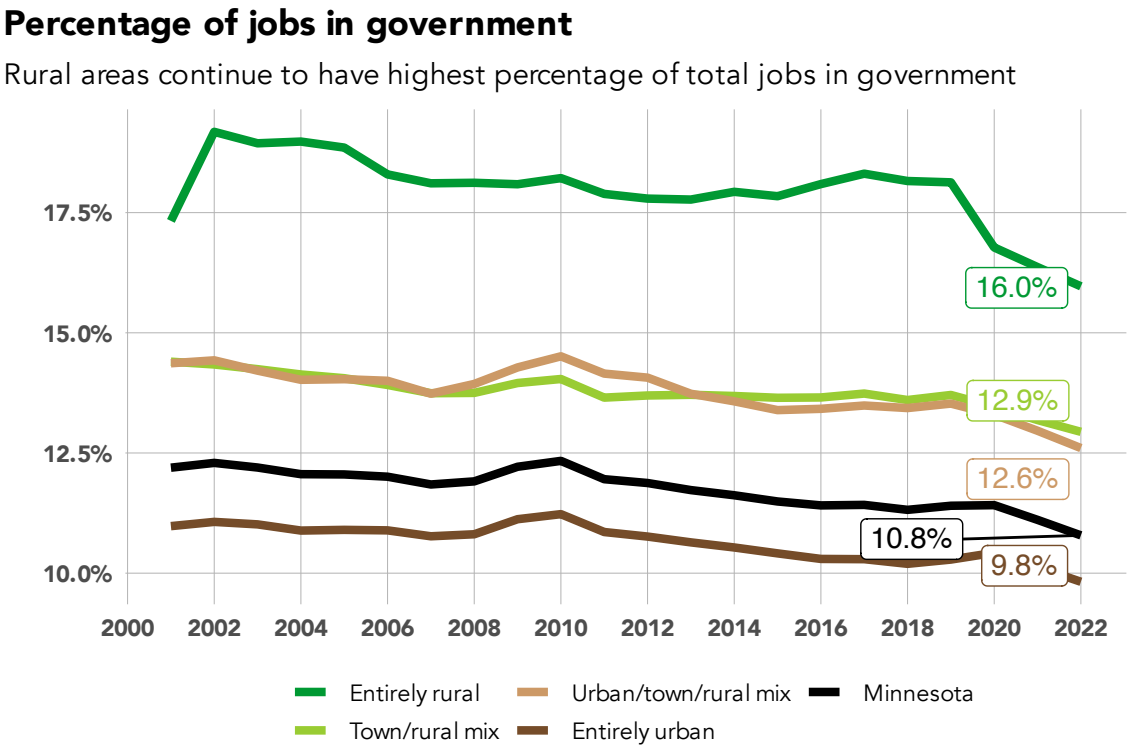

Figure 8: Government jobs include the executive, legislative, judicial, administrative, and regulatory activities of federal, state, and local governments and the military, plus government enterprises, which are government agencies that cover a substantial portion of their operating costs by selling goods and services to the public. These types of jobs make up a significantly higher percentage of the jobs outside of the entirely urban areas. Data: MN DEED, QCEW

Percentage of jobs in government, 2022

Northern and West Central Minnesota have the highest percentages

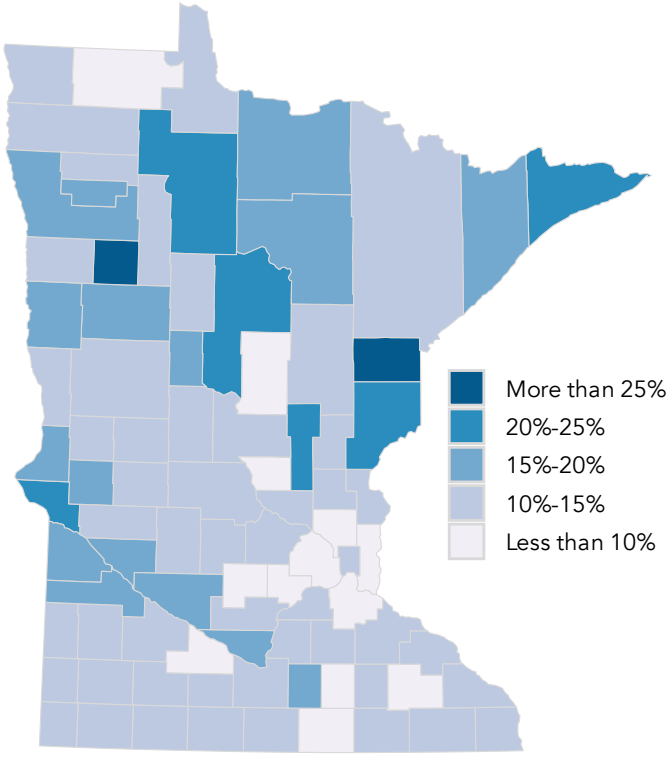

Figure 9: The highest percentage of jobs in government is in northern and western Minnesota.
Data: MN DEED - QCEW

It's no surprise that resource extraction (farming, mining, forestry) is a significant source of employment across rural Minnesota. It's most heavily prevalent among the western counties of Minnesota. The largest share is in Traverse County, where 19% of employment is in agriculture, hunting and fishing, and mining industries (Figure 10).

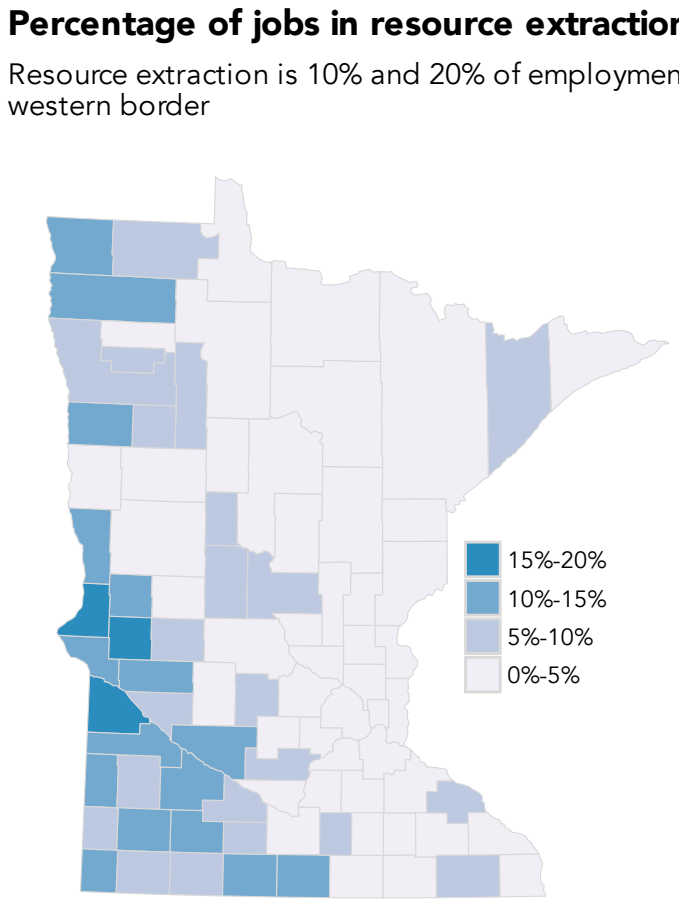

Figure 10: Extractive resources includes agriculture, fishing, hunting, timber and mining industries. Data: U.S. Census Bureau, ACS 5-year

Another notable characteristic of employment in rural regions is the number of non-employers and self-employed. The state's most rural regions have a higher percentage of these entities in relation to total jobs compared to more urban regions (Figure 11). It's particularly high in northern counties, where non-employers and self-employed can represent 15% to 20% of total jobs. The highest percentage is in Lincoln, Norman, Cook, and Hubbard counties with 30% (Figure 12).

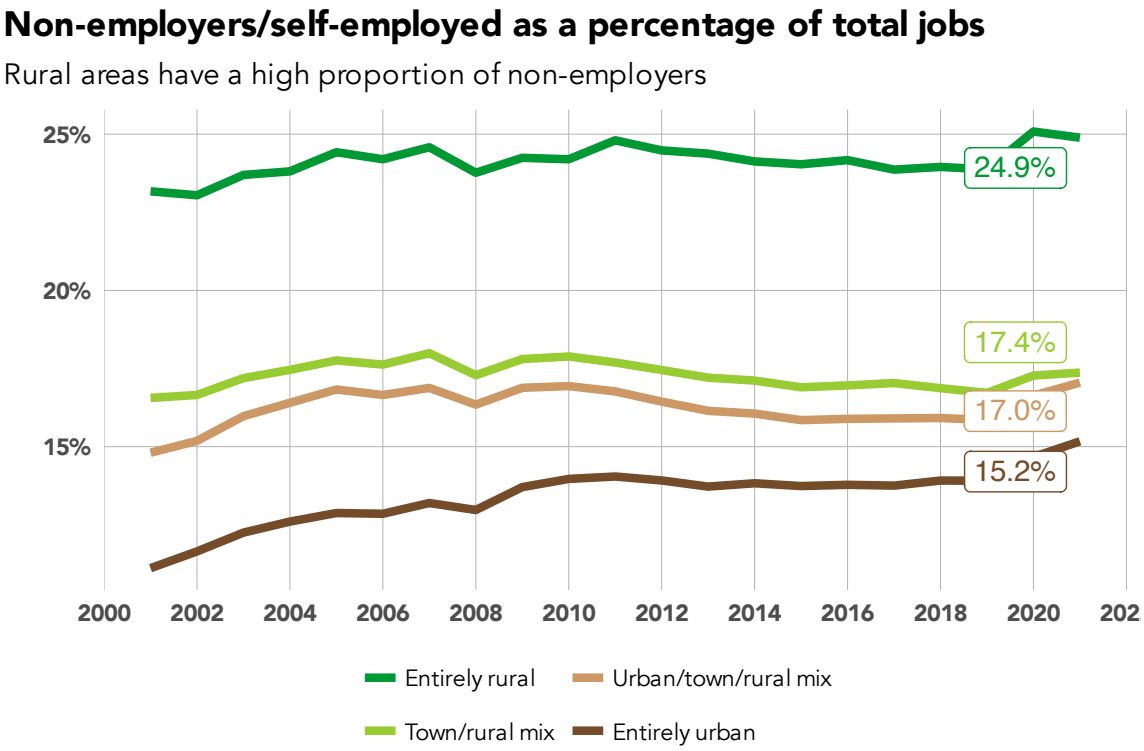

Figure 11: The percentage of the workforce recognized as operating non-employer businesses is significant in most rural areas of Minnesota. Being a non-employer means an individual operates a non-farm business with no employees, has annual business receipts of at least $1,000, and is subject to federal income tax. Data: Census Bureau, Non-Employer Statistics | MN DEED - QCEW

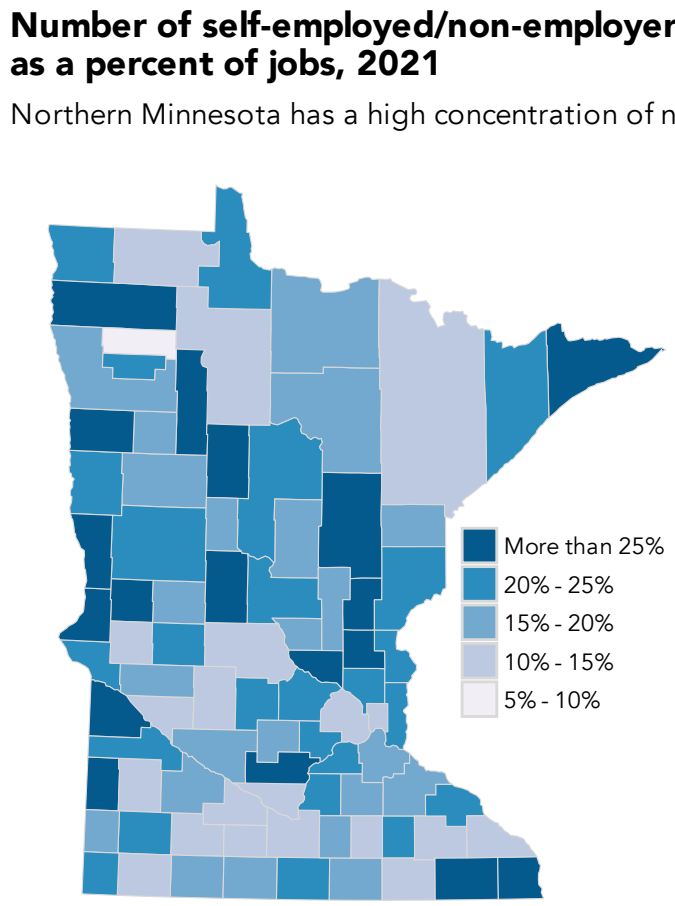

Figure 12: The highest number of self-employed and non-employers as a percentage of total jobs are in northern Minnesota. Data: U.S. Census Bureau, Non-Employer Statistics | MN DEED - QCEW

Lower wages but lower cost of living

The gap in wages between rural and metro regions garners a lot of attention. Policy makers and other leaders continue to point at this gap as cause for concern. Although the gap in earnings persists, however, it's important to note that when factoring in the lower cost of living, earnings and wages in our rural areas can be quite competitive with metropolitan areas.

"Average earnings by place of work" shows the wages workers make, as opposed to their income, which can include both earned income, such as wages, and unearned income, such as interest and dividends. "Jobs" includes both full-time and part-time jobs (but is not the same as "employment" or "workers," since one worker can hold more than one job at a time) and includes wage and salary jobs, sole proprietorships, and individual general partnerships, but not unpaid family workers or volunteers. This measure can be especially useful when assessing the economic vitality of areas in Greater Minnesota since it takes into account farm and non-employer incomes that are not captured in many other economic measurements.

Figure 13 shows the gap in average earnings between the entirely urban county group and the other three county groups and demonstrates how, in the entirely rural county group, earnings can follow the whims of the ag economy. These counties experienced a significant increase between 2011 and 2013 followed by a sharp decline. Over the last few years, earnings increased again significantly. Figure 14 paints this picture as well. The highest earnings per job outside of the seven-county metro are in ag-dominated counties, whereas the lowest are in the central lakes region.

Currently, average earnings in the entirely rural county group are 75% of average earnings for the state, while average earnings in the town/rural group and the urban/town/rural mixed group are 78% and 80% respectively.

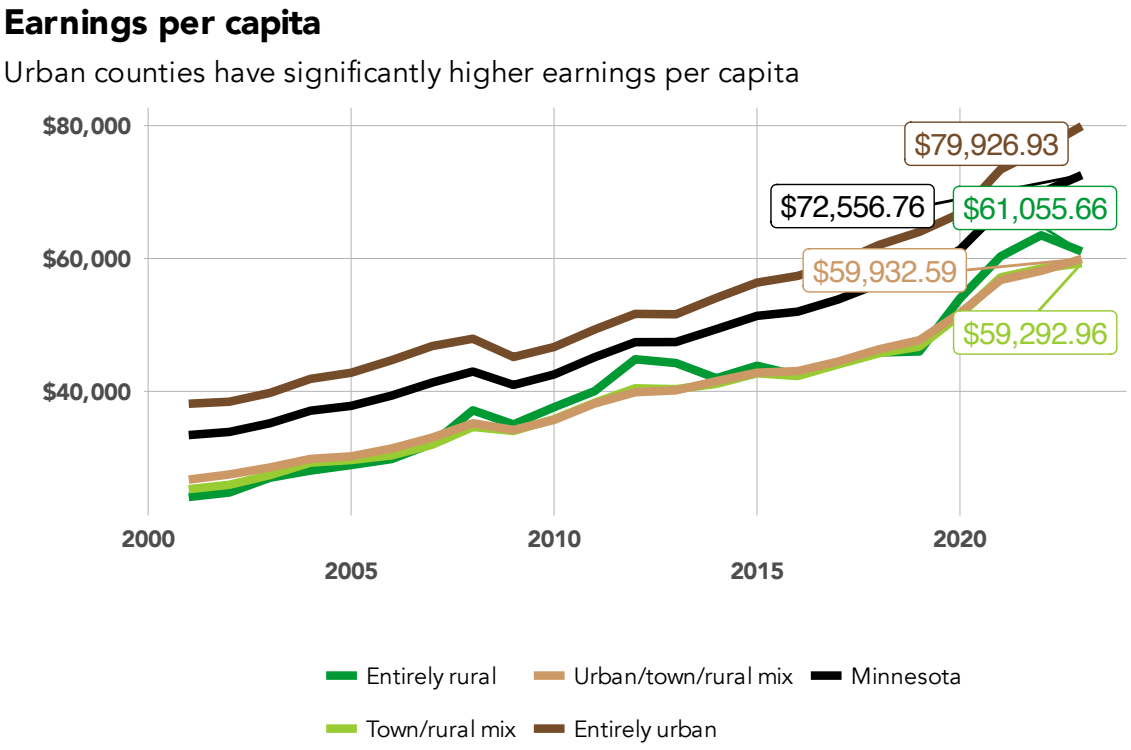

Figure 13: Earnings per capita show a persistent gap between entirely urban counties and the rest of the state. Data: Bureau of Economic Analysis, Regional Personal Income and Employment

Earnings per capita: 2023

Highest earnings per capita in the metro, southern Minnesota, and the very northwestern corner.

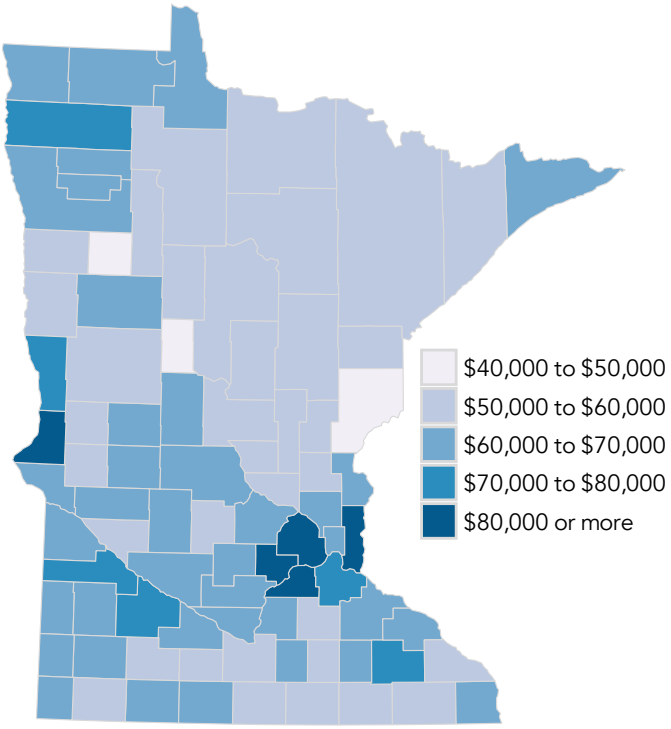

Figure 14: Earnings per capita is significantly higher in the seven-county metro area while moderately high earnings are scattered throughout Greater Minnesota. Counties in southern Minnesota typically have higher earnings per job than counties in northern Minnesota. Data: Bureau of Economic Analysis, Local Area Personal Income and Employment

Figure 15 shows that although there remains a gap in earnings between entirely urban counties and all other county groups, the highest growth in earnings is occurring in our rural areas. Between 2001 and 2023, the entirely rural group saw the largest growth in earnings per capita at 153%, and town/rural mix counties had 135% growth, compared to lower percentages in the more urban county groups.

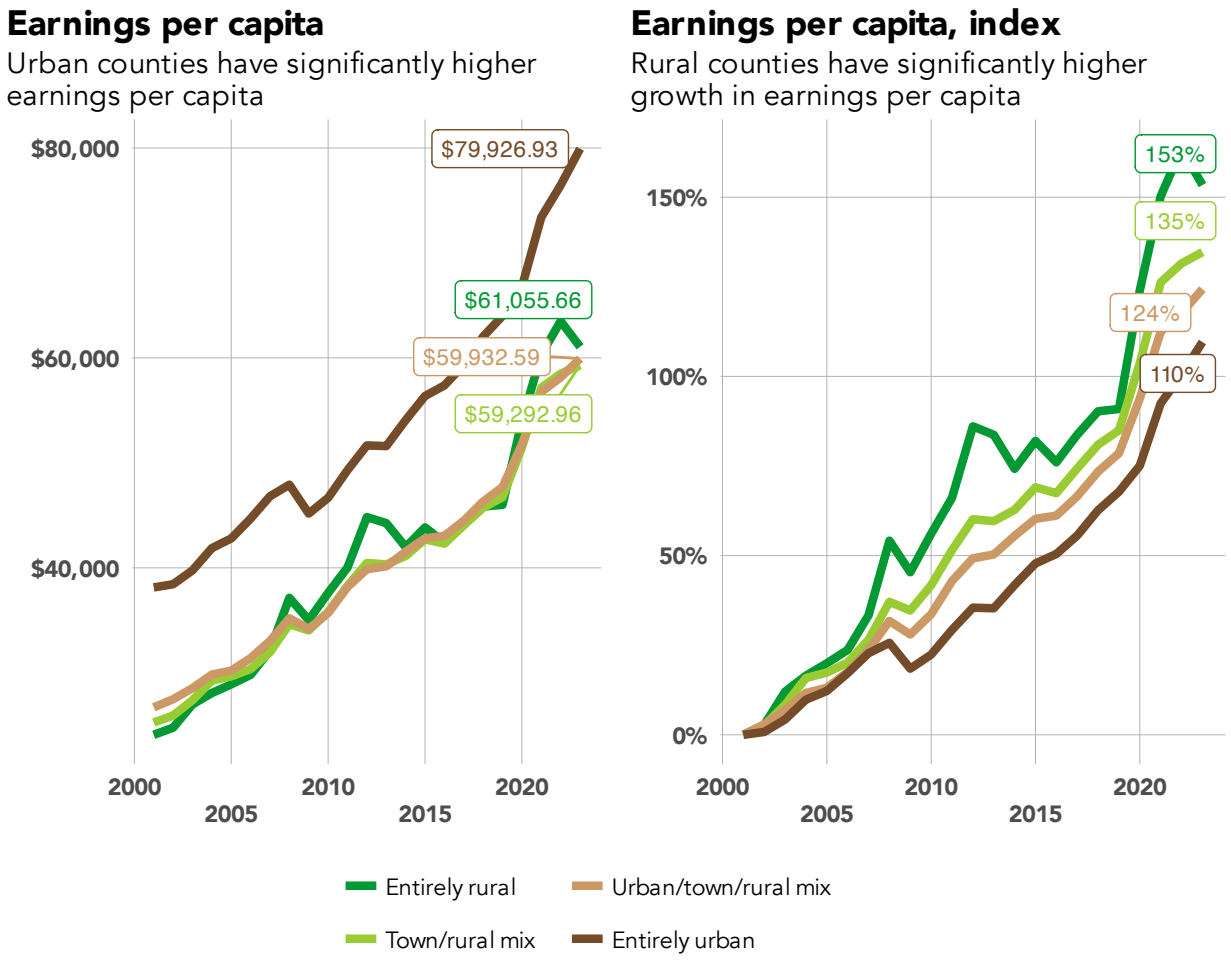

Figure 15: Increases in earnings among rural counties have outpaced those in urban areas. Data: Bureau of Economic Analysis, Regional Personal Income and Employment

An often-overlooked aspect of Greater Minnesota's economy is the variation in the cost of living from region to region. Part of the narrative surrounding the gap in wages is the assumption that lower earnings will make it harder to make ends meet. The other half of that equation, the cost of living, is just as important to consider.

Figure 16 provides a map highlighting the percentage of the cost of living in that county that the median wage of that county covers. The cost of living is calculated by MN DEED for a three-person household, one person working full-time and another working part-time with one child needing childcare. As the map shows, even though wages tend to be lower in Greater Minnesota, they do tend to cover the local cost of living as well. Much of that difference is due to lower housing costs in rural areas. However, there is also some variation around Greater Minnesota, particularly in the central lakes and north of the Twin Cities metro. Residents there are experiencing more challenges in meeting the cost of living with their lower wages.

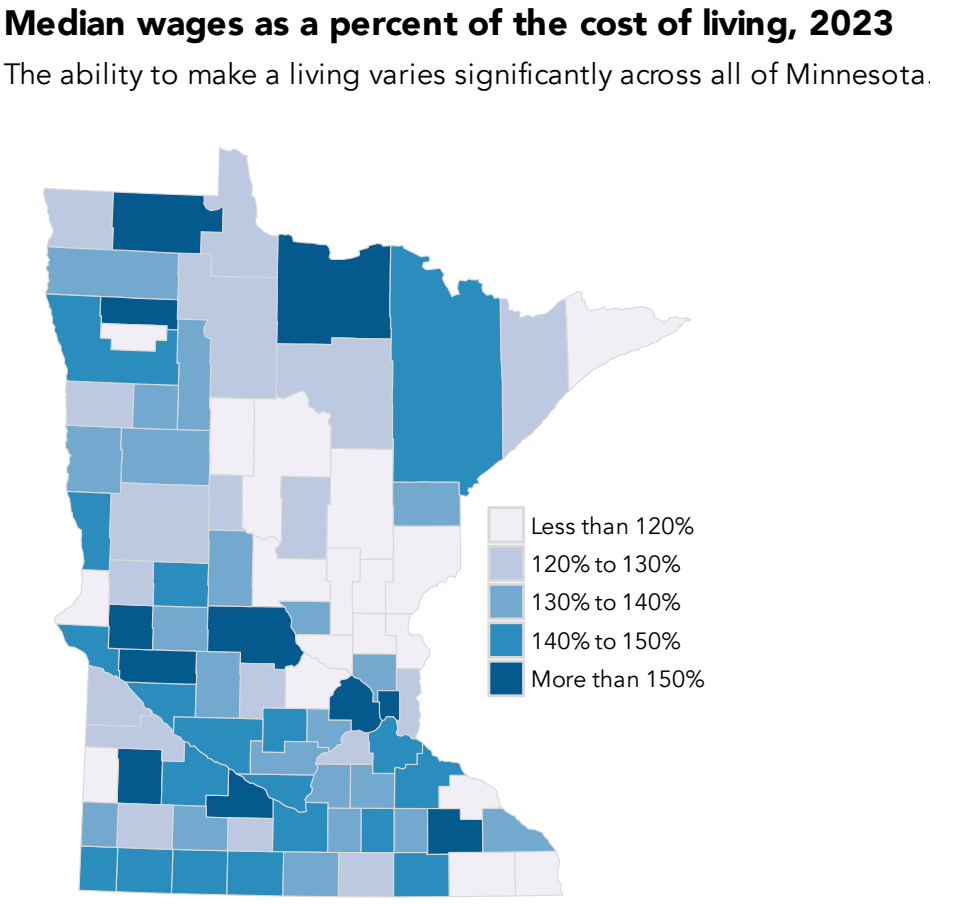

Figure 16: Even though wages in Greater Minnesota tend to be lower than in metro regions, the ability to afford the cost of living is comparable to metro areas. However, the central lakes area and north of the Twin Cities metro have a particularly challenging time meeting the cost of living with their median wages. Data: MN DEED Cost of Living & QCEW

Greater Minnesota feeling pressure to fill job vacancies

Job vacancies were increasing across the state and were at their highest levels at any point since 2005 until the pandemic broke that trend, at least for a short time, in 2020. Job vacancies then increased significantly in 2021. They are expected to continue due to retirements in the workforce, including the many early retirements brought on by the pandemic, as well as continued economic growth.

To get a sense of the pressure a region might feel in filling these vacancies, Figure 17 provides the average quarterly number of job vacancies for each year as a percentage of total jobs in the region. The higher the percentage, the more challenging it is to fill positions. After significantly high rates in 2021, the rates have recovered some, but still remain very high. Northeast Minnesota is currently experiencing the highest percentage, with an average quarterly vacancy rate of 6.6%. At the same time, the Twin Cities metro's job vacancies have been consistently lower. A "healthy" vacancy rate is considered to be between 3% and 4.5%.

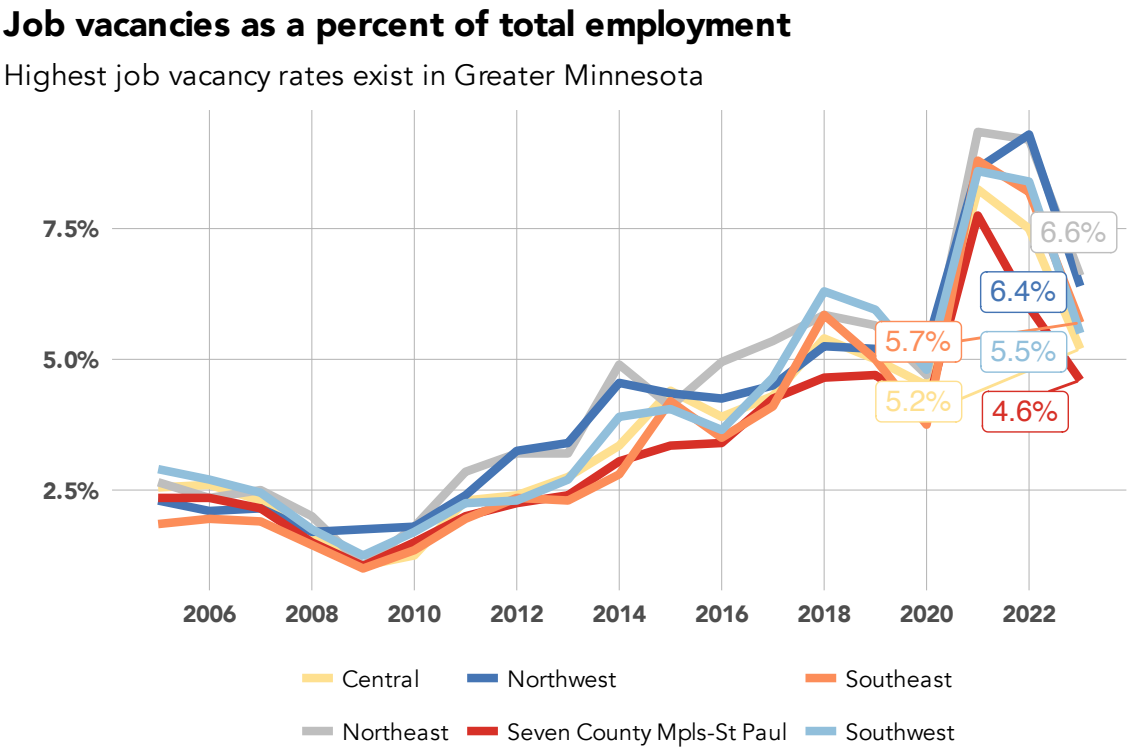

Figure 17: The job vacancy rate is the ratio of vacant job positions to all jobs. A high vacancy rate indicates a strong demand for workers. The highest job vacancy rates are found outside of the Twin Cities seven-county metro. Data: MN DEED Job Vacancy Survey

Directly related to job vacancies is the median wage, which continues to rise across the state. Although the median wage for all job vacancies is still lower in all of Greater Minnesota's regions compared to the seven-county metro area, the largest increases between 2005 and 2017 were in Greater Minnesota, closing the gap considerably as rural regions felt the worker shortage earlier and more acutely. Now that the seven-county metro is also beginning to feel the pinch for workers, their wages began to increase as well after remaining flat from 2009 to 2016 (Figure 18).

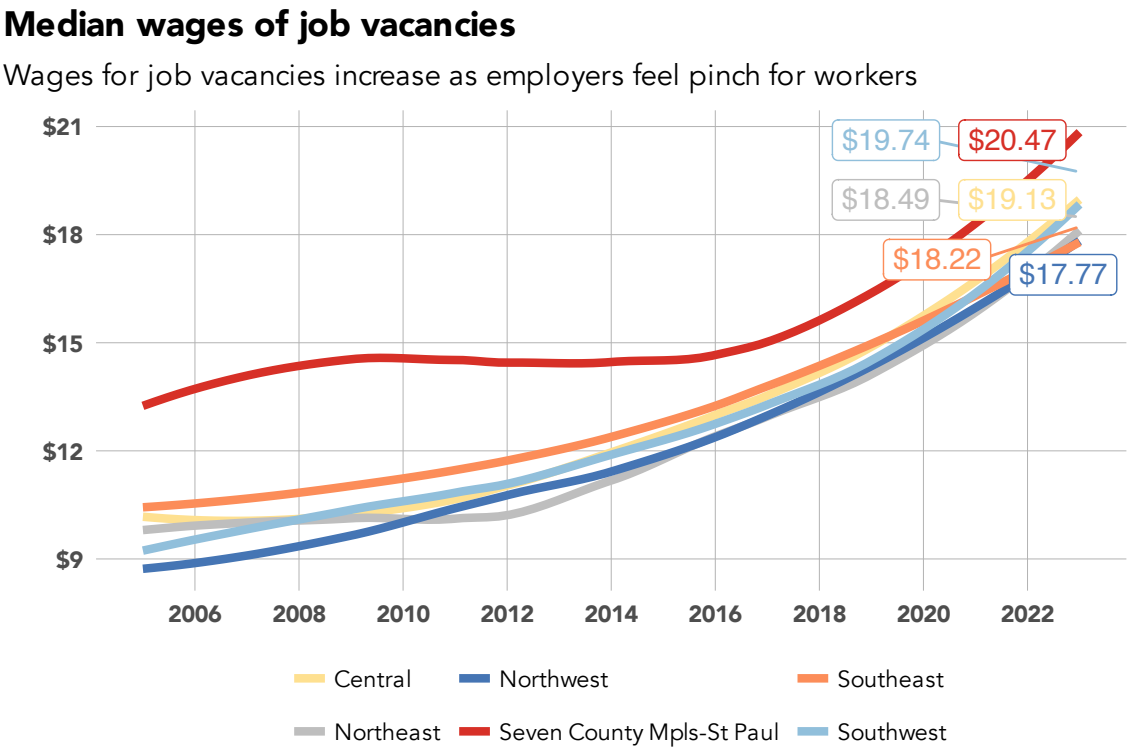

Figure 18: The median wages of all job vacancies in regions outside the Twin Cities are increasing steadily, as are the wages in the Twin Cities now. Data: MN DEED Job Vacancy Survey

Use of public assistance varies significantly across Minnesota.

Public assistance payments refer to assistance programs that provide either cash or in-kind benefits to individuals and families from any governmental entity. It includes social welfare programs such as the Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income (SSI) and Special Supplemental Nutrition Program for Women, Infants and Children (WIC). It does *not* cover social insurance programs such as Social Security, worker's compensation, or unemployment.

Figure 19 shows significant variation in the public assistance received per capita across all counties of Minnesota. The northern half of Minnesota tends to have higher public assistance per capita due to the higher rate of poverty in those counties. The counties with the highest public assistance received per capita are Mahnomen ($171 per capita), Traverse ($91 per capita), Wadena ($86 per capita) and Kandiyohi ($86 per capita). The lowest are Nobles ($17 per capita), McLeod ($16 per capita), Cottonwood ($16 per capita) and Houston ($16 per capita).

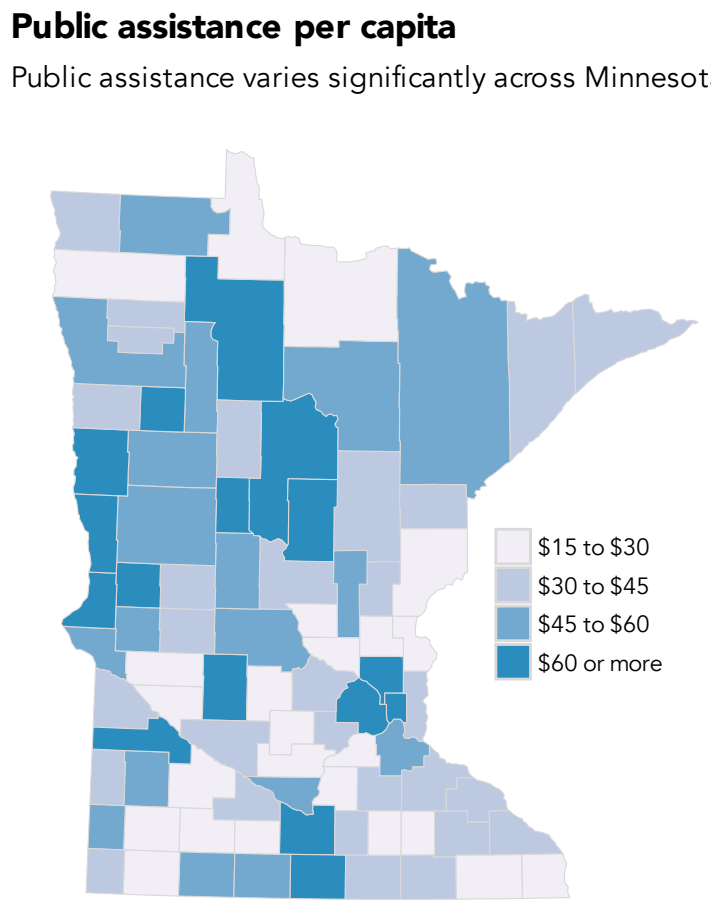

Figure 19:The northern half of Minnesota tends to have higher public assistance per capita due to the higher rates of poverty in those counties. Data: U.S. Census Bureau, ACS 5-year

Appendix: Rural-Urban Commuting Areas

Throughout this report we present information using four county groups developed by the State Demographer and Minnesota's Demographic Center derived from the USDA's Rural-Urban Commuting Area codes. This definition provides a handy way to look at counties by similar characteristics rather than location.

Staff at the Minnesota Demographic Center examined each Census tract in the state to determine its "type" using the definitions in the Rural-Urban Commuting Area framework (explained below). Each county was then classified by its "mix" of Census tracts. For example, if a county has one Census tract that can be defined as "small town" and all other Census tracts could be defined as rural, the county is categorized as "town/rural mix." The number of counties within each category are i) entirely rural: 14; ii) town/rural mix: 35; iii) urban/town/rural mix: 25; and iv) entirely urban: 13.

Figure 20 shows how each county is categorized.

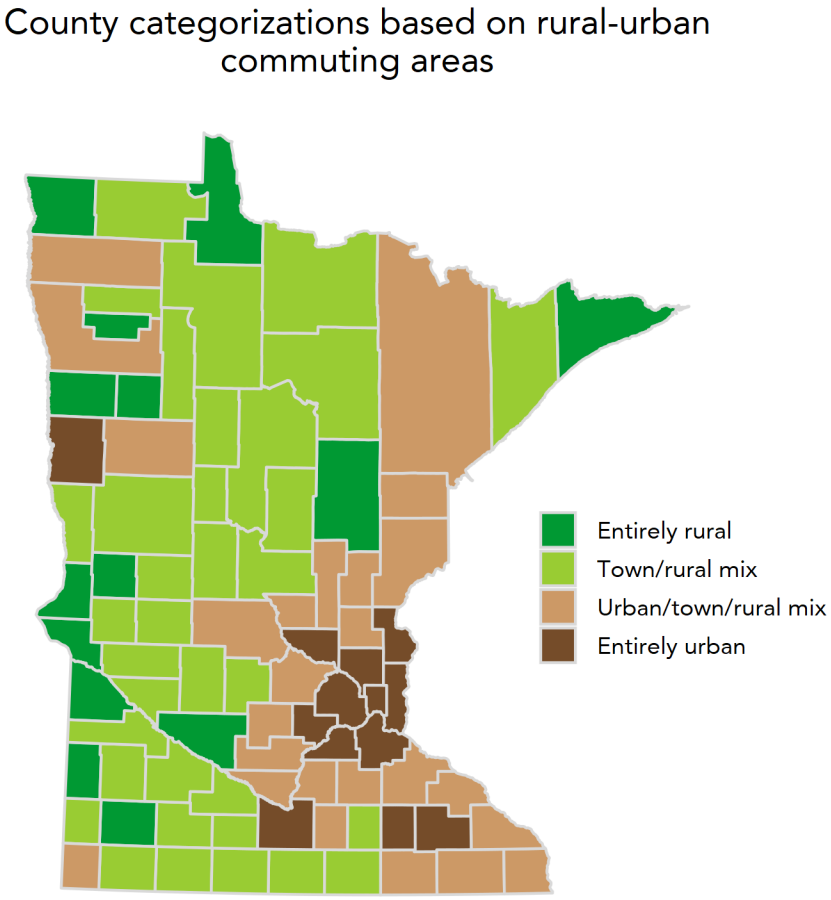

Figure 20: These categorizations are based on an analysis of the rural-urban commuting areas at each county's census tract level. Data: MN State Demographic Office

The United State Department of Agriculture Economic Research Service developed the Rural-Urban Commuting Area codes as a way to define geographic areas using more than population alone. These codes incorporate population density, urbanization, and daily commuting to define a geographic area. Below are the ten primary RUCA codes, grouped into their four geography definitions.

Urban Definition

1	Census tract is situated at the metropolitan area's core and the primary commuting flow is within an urbanized area of 50,000 residents or more.
2	Census tract is within a metropolitan area and has higher primary commuting (30% or more) to an urbanized area of 50,000 residents or more.
3	Census tract is within a metropolitan area and has lower primary commuting (10-30%) to an urbanized area of 50,000 residents or more.

Large Town Definition

4	Census tract is situated at a micropolitan area's core and the primary commuting flow is within a larger urban cluster of 10,000 to 49,999 residents.
5	Census tract is within a micropolitan area and has higher primary commuting (30% or more) to a larger urban cluster of 10,000 to 49,999 residents.
6	Census tract is within a micropolitan area and has lower primary commuting (10-30%) to a larger urban cluster of 10,000 to 49,999 residents.

Small Town Definition

7	Census tract has a primary commuting flow within a small urban cluster of 2,500 to 9,999 residents.
8	Census tract has higher primary commuting (30% or more) to a small urban cluster of 2,500 to 9,999 residents.
9	Census tract has lower primary commuting (10-30%) to a small urban cluster of 2,500 to 9,999 residents.

Rural Definition

10	Census tract has a primary commuting flow outside of urban areas and urban clusters.

The Minnesota State Demographer's office analyzed each county to determine the combinations of census tract types in each one. The counties were then categorized into 4 groups:,

- Entirely rural: every census tract was rural;
- Town/rural mix: the county had at least one census tract that was rural, and small or large town census tracts;
- Urban/town/rural mix: the county had at least one census tract that was rural, small or large town, and urban; and,
- Entirely urban: every census tract was urban.

For more information about these definitions check out their report, ***"Greater Minnesota: Refined & Revisited"***

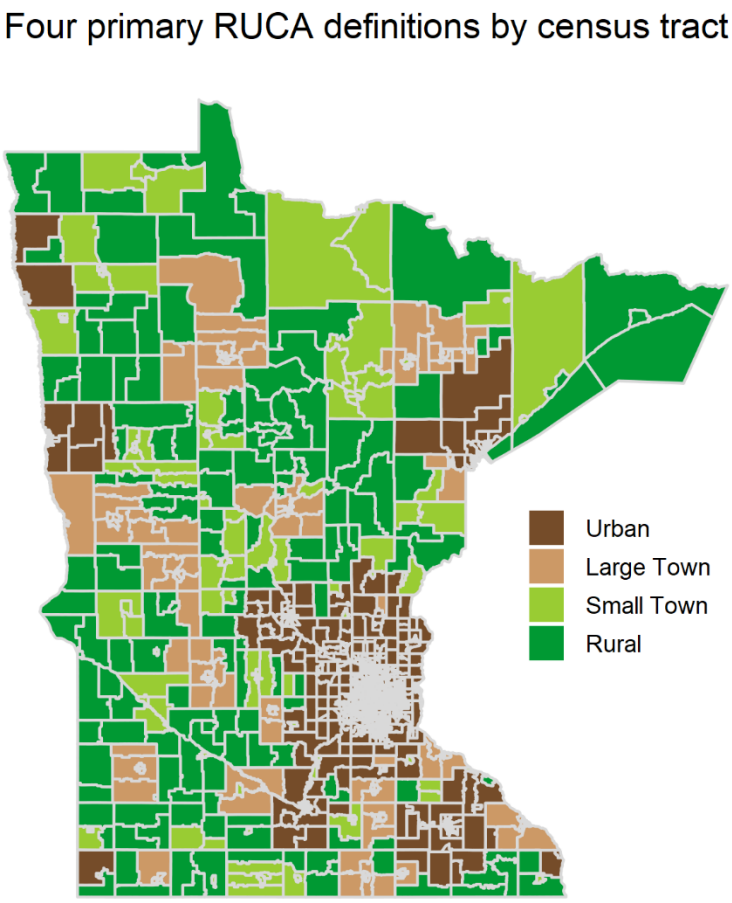

Figure 21: Each census tract was given one of the four definitions from the table above. Data: MN State Demographic Office