

# THE STATE OF WORKING WISCONSIN

## 33,000 MISSING JOBS: WISCONSIN'S LAGGING SECTORS

**UPDATE 2013**

### PAINFULLY SLOW: WISCONSIN'S RECOVERY WEAKER THAN EVEN THE NATIONAL RECOVERY

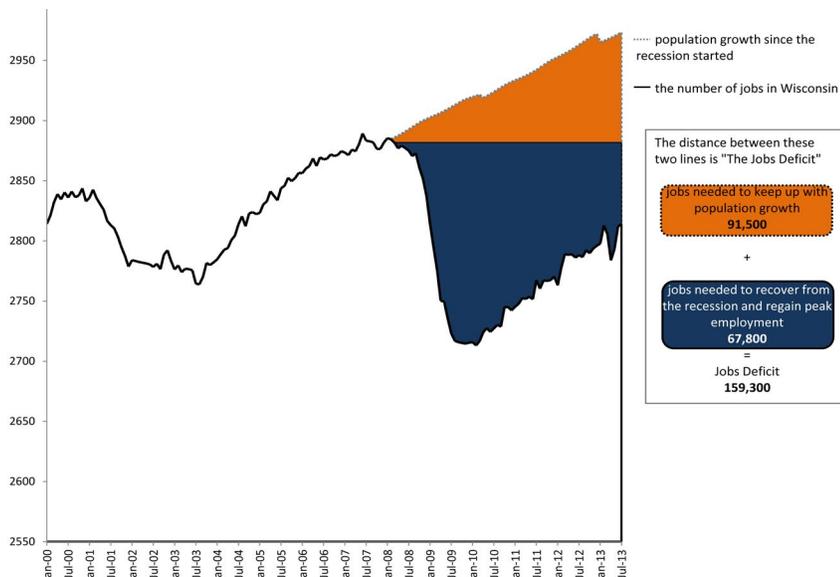
The 2007 recession, the Great Recession, is now six years behind us. But the aftermath is still painfully evident throughout the nation. For those still struggling to find a decent job, for those who can't secure the hours they need to make ends meet, for those who have watched their resources and meager unemployment benefits run out, the Great Recession has never really ended. On paper, and as proclaimed by the committee of experts who decide this, the recovery began nearly four years ago. But it is such an anemic and jobless affair that while market and balance sheets have improved, too few jobs have been added.

In Wisconsin, the recovery has proved even more meager. Yes, we have more jobs today than at the pit of the recession. Still, we remain behind the number of jobs we had in 2007 before the recession began. To put this in perspective, none of the recessions that current workers have lived through - not the 2001 recession, nor the softer 1991 recession, nor the brutal double dip recession of the early 1980s - produced so little job growth this far into recovery. We are still waiting for enough economic dynamism and growth to get back just to where we started.

But, in fact, we need more jobs today than we did in 2007 just to make the labor market feel the same. Why? Because the working age population has grown. In fact, to get back to 2007 and to absorb the growing population of workers in the state, Wisconsin needs 159,000 more jobs than we have today.

Each month in our Job Watch release, COWS updates the Wisconsin Job Deficit shown below. This figure provides a quick benchmark on the Wisconsin recovery and always displays these two elements: the number of jobs we need to get back to 2007 (67,800) and the number of jobs required to employ the growing population since that time (91,500). Their total - 159,300 given July 2013 employment data - provides a single metric summary of the slack in Wisconsin's labor market.

**Figure 1**  
Wisconsin's Job Deficit



Source: EPI analysis of BLS data.

Every other year (in even years), *The State of Working Wisconsin*, produced by the Center on Wisconsin Strategy (COWS), provides a thorough review of jobs, wages, poverty, income, and job quality in the state on a biennial basis. The 2012 report is available at [www.cows.org/soww](http://www.cows.org/soww).

This *State of Working Wisconsin Update 2013* focuses on Wisconsin's job market and our relatively weak recovery. For these projects, we are grateful for the data and analytic resources provided by the Economic Policy Institute (EPI), a nonpartisan research institute in Washington, D.C.

The Center on Wisconsin Strategy (COWS) is a nonprofit think-and-do tank, based at the University of Wisconsin-Madison, that promotes "high road" solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

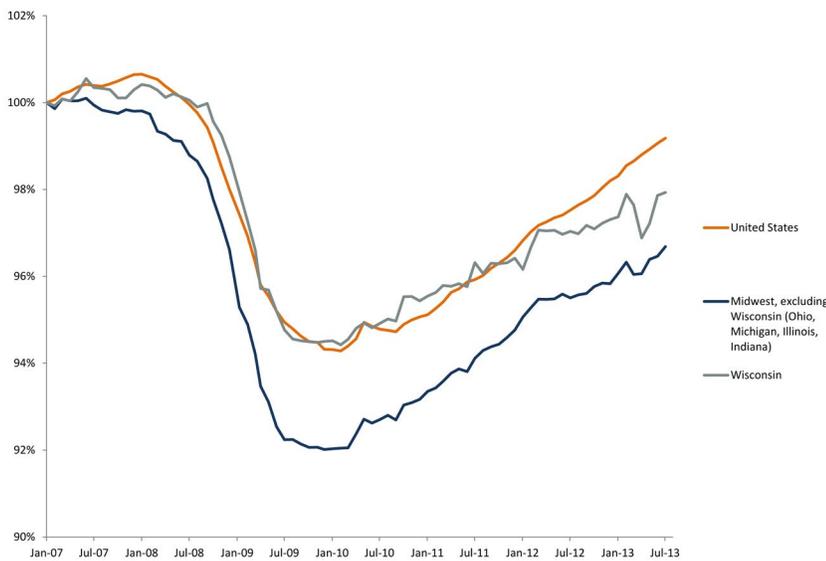


This Labor Day, we dig into the Wisconsin Jobs Deficit to compare Wisconsin’s recovery to the national recovery. And we compare Wisconsin’s sectors to national growth patterns.

Our investigation makes it clear that Wisconsin’s recovery is weaker than it should be, producing one-third fewer jobs than we could expect if Wisconsin just got its share of the national recovery. And we also find that some surprising sectors – retail and health services – account for much of our lag on the national recovery picture.

## WISCONSIN RECOVERY VS. NATIONAL RECOVERY: THE STATE IS SHORT 33,000 JOBS

**Figure 2**  
Jobs From Great Recession to Present, United State, Wisconsin, and the Midwest (excluding Wisconsin)

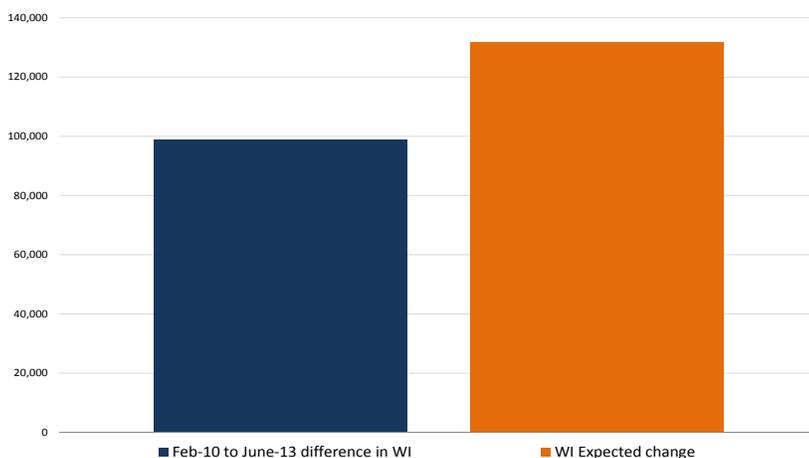


Source: EPI analysis of BLS data.

Figure 2 looks at employment trends in comparing the US with Wisconsin and other Midwest states. Here the job base is indexed to 100, so changes can be compared. In the Great Recession that began in December 2007, employment contracted sharply with severe decline evident after September 2008. States in the Industrial Midwest (Illinois, Indiana, Michigan, Ohio) were particularly hard hit. Wisconsin at first did a bit better than the rest of these states, following the national path fairly closely through 2012.

The rest of the Midwest suffered more substantial losses early on as the auto sector collapsed. Wisconsin’s lesser reliance on that sector is one reason our trajectory tracked the national trajectory rather than the more serious decline in the other states of the industrial heartland. In 2012, however, the national recovery picked up a bit of steam, and Wisconsin fell behind. Since 2012, employment has grown steadily nationally, and even in the the rest of the Midwest. But not so for Wisconsin; our recovery seems stuck in a lower gear.

**Figure 3**  
Change in Jobs over Wisconsin’s Recovery (Feb 2010 to Jun 2013)  
Actual Jobs Change Compared to Expected Change, Given US Recovery over that Period



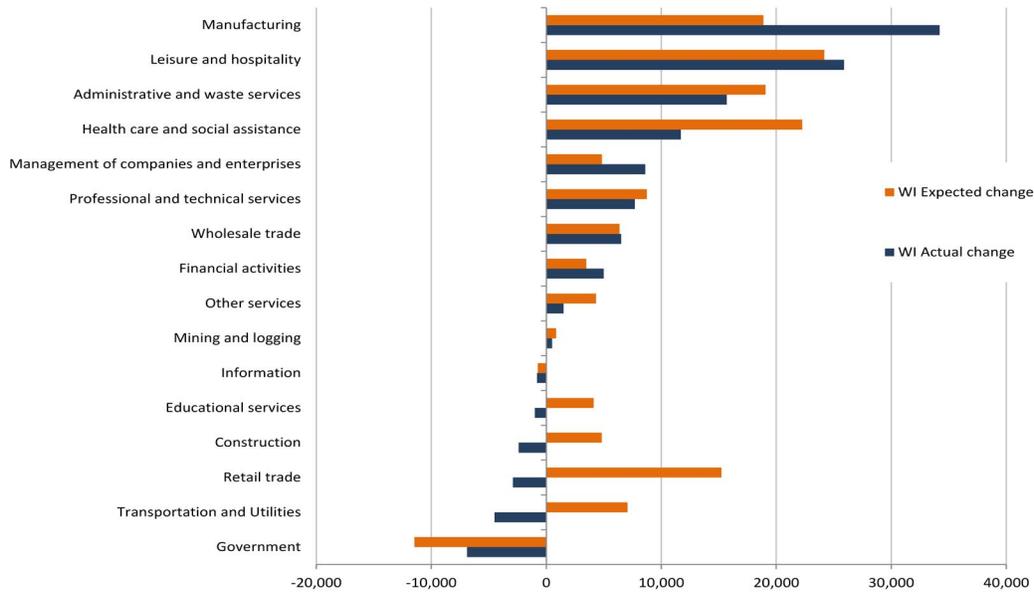
Source: COWS analysis of CES data from BLS.  
[States: <http://www.bls.gov/sae/>] [National: <http://www.bls.gov/ces/#data>]

To put the Wisconsin recovery in perspective, we compare the recovery that Wisconsin has had to the recovery Wisconsin would have had, if we simply got the Wisconsin share of the national trend. Over the course of the recovery, Wisconsin’s economy has added 99,000 jobs. If Wisconsin had tracked the national recovery, the economy would have added 132,000 jobs. That difference, 33,000 jobs, is a measure of the how Wisconsin lags behind the national trend. To be sure, even that national trend is too weak. But in Wisconsin, we should have 33,000 more jobs today than we do.

## WHERE ARE THE MISSING JOBS: SECTORS THAT HELP EXPLAIN WISCONSIN'S LAG

We turn now to sectors, comparing the actual Wisconsin labor market with where Wisconsin would have been had it kept pace with national trends over recovery, from February 2010 to June 2013. This is shown in Figure 4, below, and makes clear which sectors in Wisconsin are running behind (and ahead of) expectations.

**Figure 4**  
Change in Jobs in WI (Feb 2010 to Jun 2013) and Expected WI Change Pegged to US Average



Source: COWS analysis of CES data from BLS.

Industry	WI Actual change	WI Expected change	Difference
Government	-6,900	-11,468	4,568
Transportation and Utilities	-4,500	7,061	-11,561
Retail trade	-2,900	15,222	-18,122
Construction	-2,400	4,816	-7,216
Educational services	-1,000	4,115	-5,115
Information	-800	-733	-67
Mining and logging	500	842	-342
Other services	1,500	4,330	-2,830
Financial activities	5,000	3,475	1,525
Wholesale trade	6,500	6,371	129
Professional and technical services	7,700	8,749	-1,049
Management of companies and enterprises	8,600	4,833	3,767
Health care and social assistance	11,700	22,250	-10,550
Administrative and waste services	15,700	19,065	-3,365
Leisure and hospitality	25,900	24,179	1,721
Manufacturing	34,200	18,881	15,319

Note: The Bureau of Labor statistics provides Employment, Hours, and Earnings both at the national and the state and metro area levels. The names used for some industries differ between the two sources. In order to compare sectors, we use the industry codes. The graph and table above show the sectors using the name as worded in the national data set.

First, consider the actual changes in Wisconsin over the official recovery that began February 2010. Nationally, just two sectors are smaller today than they were at the beginning of the recovery. Government employment is down dramatically and the information sector has been tailing slightly. Wisconsin's trends are similar. Our **information sector** has lost jobs at nearly the national rate. A bit more surprising, perhaps, while Wisconsin has lost 6,900 government jobs over the recovery, matching the national trend in this sector would have made things worse. If our government followed the national "recovery," Wisconsin would have lost an additional 4,600 public sector jobs. This may be due, in part, to the fact that the effects of federal budget constraints (due to sequestration) are hitting other states harder than Wisconsin, which doesn't have a highly concentrated federal workforce.

So while government jobs have been in decline in the state over the recovery, the **government sector** trend doesn't help explain the Wisconsin difference. Other sectors are responsible.

### Coming Soon

#### MOBILITY AND RACIAL INEQUALITY

In the next months, COWS will be releasing two important reports on the Wisconsin economy. One will look into a national study of income mobility over time, focusing on the Wisconsin data, offering insights on mobility in Wisconsin, and the striking lack of mobility in Milwaukee. Also we will offer a report which compiles state data on racial inequality.

Stay Tuned! Visit us at [www.cows.org](http://www.cows.org) or subscribe to COWS Notes.

Often when Wisconsin deviates from national trends, the culprit is our **manufacturing sector**. Wisconsin is consistently one of the most manufacturing heavy states in the nation – we trade the top of the list with Indiana. When manufacturing deviates from national trends, Wisconsin does as well. But manufacturing is most certainly not the problem in Wisconsin's recovery. In fact, our manufacturing sector has done better – much better – than we'd expect given national trends. Wisconsin has added 34,200 manufacturing jobs over this recovery – that's nearly twice the number of jobs we would have expected given national data. With growth of 8.1 percent of jobs compared to a national rate of 4.4 percent, our manufacturing sector is outperforming the national trend. Without this good news in manufacturing, we'd be even further behind.

There are three sectors in Wisconsin that have lagged well behind the national trend and together they account for Wisconsin's missing jobs:

**retail trade, transportation and utilities, and health care and social assistance.** The **retail sector** has been relatively strong at the national level. If Wisconsin had gotten its share of retail jobs, we would have 15,200 more retail jobs today than before the recovery. But in fact, and in spite of "recovery," Wisconsin's retail sector experienced a slight downturn, shedding 2,900 jobs over the recovery. So Wisconsin's weak retail performance alone explains a gap of 18,100 jobs with the national trend.

Likewise, our **transportation and utilities sector** has lost 4,500 jobs in the recovery while following national trends it would have gained 7,100. That's another large gap – Wisconsin posted losses even as the nation posted growth.

Finally, and perhaps a bit of a surprise, even our growing **health care and social assistance sector** bears some significant blame for the state's slow economic growth. How can a growing sector account for the fact that Wisconsin's job base hasn't grown enough? By growing at well below the national rate. Wisconsin has added 11,700 jobs in the recovery (growth rate of 3.3 percent). But nationally the sector grew nearly twice that rate (6.2 percent) so our national share of jobs in that sector would be 22,300 jobs. The gap with the national recovery is partly due to slow growth in health care as well.

Wisconsin's **construction sector** also deserves attention. When the housing bubble burst, the national construction sector fell into a serious and sustained decline. Wisconsin's construction decline mirrored the national trend in the recession. But in the period of recovery, our construction sector has continued to flounder, losing some 2,400 jobs. Nationally, the sector has been growing. If we'd had just the national growth in the sector, we'd have added 4,800 construction jobs.

## SUMMING UP

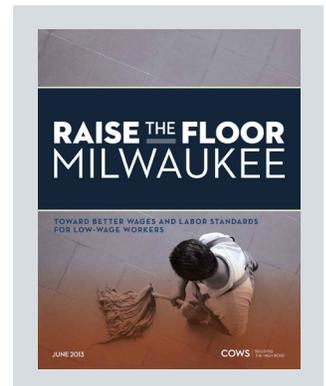
Wisconsin's recovery has been weak. The national recovery has been weak by historic standards and the recovery in Wisconsin hasn't even managed to keep pace with that anemic recovery. The welcome strength of our manufacturing sector has not provided enough lift to our economy to ignite a stronger recovery. Our retail sector and transportation and utilities are both still declining while the national trajectory there is strong. Even health care is growing too slowly, producing half as many jobs as it would have following the national trend.

These facts should provide a serious challenge to all who care about the state's economy and workers opportunities in it. Until we make more significant strides forward in total jobs – continued growth in manufacturing, some real growth in construction, retail, and transportation, and stronger growth in health care and social assistance – workers will still be waiting for the security achieved in 2007.

It is interesting that Wisconsin's trends are substantially worse in terms of jobs, but slightly better than national in terms of job quality. Our manufacturing sector provides good pay, especially to workers without college degrees, and it is growing above the national rate. Retail, producing a substantial share of the national recovery's jobs, is a much less well-paying sector. Jobs in retail tend to offer lower wages, few benefits, and for many workers, far fewer hours than they need to make ends meet. Our recent report, *Raise the Floor Milwaukee*, makes the problem of retail, food service, and residential and home health care clear and provides a strong reminder that in the recovery, we need to focus on both quantity and quality of jobs. In this report, we find some good news for Wisconsin with strong growth of jobs in our manufacturing sector and weaker growth in retail.

Further, there have been some promising signs of late. Weekly initial unemployment claims have been running below 8,000 for more than a month. Wisconsin's Department of Workforce Development points out that we haven't had claims consistently that low since 2005. And after hovering consistently at the bottom of the Philadelphia Fed's coincident index (a measure of state economic health which takes four key measures into account), Wisconsin has recently moved toward the top.<sup>1</sup>

Perhaps this year will be the year that the recovery finally takes root in Wisconsin and produces sustained and steady growth. The workers of the state could use a good year, and are long overdue for it.



<sup>1</sup> For more information on the coincident index of the Philadelphia Federal Reserve Bank, see <http://www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident/>