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# Executive Summary

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**T**he *State of Working Wisconsin* provides a comprehensive discussion of the changing economic position of working people in this state. Using a variety of data on wages, family and household incomes, taxes, wealth, and poverty, it reports the basic facts on current economic well-being and puts them in perspective—through comparisons to past Wisconsin performance, the experience of neighboring states, and the nation as a whole.

The picture that emerges is mixed. Economic growth in the state is relatively strong, but the growth has not translated into improved well-being for Wisconsin's workforce.

On the positive side, Wisconsin continues to have a relatively high standard of living. Our schools are still among the best in the nation; and our streets are safer than almost any other state. This document shows that median income here is slightly above the national average; and the distribution of private income, at least among the white population, is among the most equal in the nation. In recent years, moreover, Wisconsin's economic performance has compared very favorably to other states on several important measures. Over 1991-94, for example, real (inflation corrected) total income in Wisconsin grew 11.4 percent, about a third better than the national growth rate of 8.6 percent. Unemployment in this state is exceptionally low—reaching a 25-year low of 2.8 percent in August 1995. The rate of business startups is impressive, and over the past four years Wisconsin has been the only state in the nation ranking in the top 10 both in the share of existing firms reporting increased employment and the survival rate of firms. At the "bottom line," as elsewhere in the nation, profit and productivity rates have markedly improved.

This bright picture, however, has a substantial and growing dark side. While the economy is booming, workers and their families don't seem to be reaping the benefits. Hourly wages are falling. Despite striking increases in married women's labor force participation, household and family incomes are also falling or stagnant. Inequality and poverty are rising sharply, with a particular "boom" in the proportion of children in poverty; in fact, child poverty in the state is rising more than twice as fast as national child poverty. Despite huge increases in female labor market participation, the "gender gap" on pay remains stubbornly high. Race differences in income and earnings have reached new 25-year records of their own. And the tax burden needed to pay for schools and safety is less fairly distributed than in the past.

Moreover, while many of these broad trends are true of the nation as a whole, on virtually all of them Wisconsin is doing substantially worse than other states and the nation as a whole. In some cases, this means that absolute performance in Wisconsin is now below national averages. In others, it means that the Wisconsin “edge” — the better performance here compared to the average elsewhere — has substantially eroded. For example (all amounts expressed in constant 1994 dollars):

- Nationally, over 1979-89, median family income increased 3.6 percent (from \$40,657 to \$42,100). In Wisconsin, family income fell by 1.8 percent (from \$42,694 to \$41,929).
- Nationally, over 1979-93, average real hourly wages fell 3.2 percent (from \$12.41 to \$12.02). In Wisconsin, wages fell 8.6 percent (from \$12.08 to \$11.05), or nearly three times as fast. Despite the recent Wisconsin economic boom, over 1989-93 they continued to fall, at twice the national rate.
- Nationally, over 1979-93, men’s wages fell 8 percent (from \$14.55 to \$13.39). In Wisconsin, men’s wages fell 13 percent (from \$14.39 to \$12.53); the rate of decline in Wisconsin was more than 50 percent faster than the national rate. Nationally, over the period, black men’s wages fell 10 percent (from \$11.86 to \$10.72). In Wisconsin, they fell 24 percent, more than twice as fast (from \$12.74 to \$9.59).
- Nationally, over 1979-93, women’s wages rose 9 percent (from \$9.66 to \$10.50). In Wisconsin, they rose 4 percent (from \$9.17 to \$9.53), or less than half as fast. Nationally, over the period, black women’s wages rose 3 percent (from \$9.33 to \$9.61). In Wisconsin, they fell 18.5 percent (from \$10.10 to \$8.24)
- Nationally, over 1979-93, the “gender gap” on wages closed from a female/male wage gap of 66 percent to one of 78 percent, with one third of this improvement was due to real increases in women’s earnings (not the decline in men’s). In Wisconsin, the gap closed from 63 to 76 percent, but less than one quarter of this was due to real improvement in women’s wages.
- Nationally, over 1979-93, the “race gap” on wages widened. Among males, the black/white wage gap dropped from 80 to 78 percent; among females, it fell from 96 to 90 percent. In Wisconsin, among males, the black/white gap dropped from 88 to 76 percent, or (in percentage point terms) six times as fast. Among females, it dropped from 110 to 84 percent, or three times as fast.
- Nationally, over 1979-89, the share of families living in poverty grew 11 percent (from 9.2 to 10.3 percent of families). In Wisconsin, it grew 19 percent (from 6.3 to 7.6 percent), or nearly twice as fast.
- Nationally, over 1979-93, the share of children living in poverty grew 38 percent (from 16.4 to 22.7 percent of children). In Wisconsin, it grew 84 percent (from 10.4 to 19.2 percent), or more than twice as fast. And, by 1989, black child poverty in Wisconsin had grown to a staggering 55.8 percent, the second highest level among states.

Why, on these measures of economic performance and well-being, is Wisconsin lagging behind? There are many contributing factors — shifts in industry practice, declining unionization, public policies unfavorable to higher and more equitable earnings, a weakened safety net — and we provide a brief review of the likely contribution of each factor. One central factor that may bear highlighting is the movement of Wisconsin industry out of heavily unionized and relatively high-wage labor markets in our cities to lower-wage markets in suburban and rural areas. Wisconsin has not “deindustrialized” in the conventional meaning of that term. The manufacturing sector that traditionally provided an anchor for high-wage employment, especially for the non-college graduates who dominate Wisconsin’s workforce, is still around. In fact, the manufacturing sector here employs about as many workers as it did 20 years ago. But, relative to the past, the pay in the industry has fallen as the plants have moved.

The central contribution of the report that follows, however, is not explanatory but descriptive. Before we can begin to correct problems in Wisconsin’s economy, we need to see those problems clearly. From the attention given to measures of business vitality and economic growth in the press and public debate, most Wisconsin citizens and policymakers have some sense of how business managers and owners are doing in the present Wisconsin economy. And the answer is “pretty well.” Here, we ask after the well-being of workers and their families — another group of economic actors, far more numerous, no less vital to our economic future. And the answer is “not very well at all.”