
Executive Summary

Using a variety of data on wages, family incomes, taxes, unemployment, and wealth and poverty, *The State of Working Wisconsin 1998* examines the impact of today's economy on the living standards of Wisconsin workers and their families. Throughout, we try to put current Wisconsin experience in perspective — through comparisons to national experience and Wisconsin's own economic past.

The picture that emerges is mixed, but on balance profoundly disturbing.

In recent years, Wisconsin economic growth, compared to the nation's, has been exceptionally strong. During the record-long national economic expansion of the 1990s, our per capita income grew 9.4 percent, almost 60 percent faster than its 5.9 percent increase nationally. Unemployment here has also been exceptionally low: in 1997, at 3.7 percent, the 7th lowest in the nation. Median wages and four-person family incomes are also recently up — again in ways that compare favorably to national trends and averages. Over 1989–96, Wisconsin ranked 8th in the nation in the growth of average weekly wages, and 5th in the annual growth of four-person median family income. And while the wage of the median individual U.S. worker declined over 1989–97 (at -0.7 percent a year), here they have increased.

That is the good news. The bad news is that the recent wage increases have been trivial, and leave average workers making less than they did 20 years ago; increases in family income since the late 1970s also owe entirely to increases in hours worked — a strategy that cannot be indefinitely sustained; the share of Wisconsin jobs paying exceptionally low wages has dramatically increased; and inequality is growing rapidly — especially during the recent boom. Wisconsin workers and their families are struggling to cope with an economy that demands more work but delivers less promise than it did a generation ago.

Among the facts that support this conclusion (all money values are inflation adjusted, and expressed in 1997 dollars):

- Over 1989–97, even during the long economic expansion, Wisconsin median wages grew on average only 0.4 percent a year. That was one-sixth the 2.3 percent annual increase in average wages the U.S. historically maintained before the mid-1970s, and insufficient to make up for Wisconsin wage declines since that time. Today, the

Wisconsin median hourly wage (\$10.63) is still 8.4 percent below its 1979 level (\$11.61). The increase over 1989–97 was a mere 28 cents an hour — less than a nickel a year on average.

- Wisconsin’s 8.4 percent median wage decline over 1979–97 is 50 percent faster than the 5.3 percent national decline over the same period, resulting in a fall in the state’s relative wage standing. In 1979 median wages in Wisconsin were 5 percent above the national level; by 1997 they were just 1 percent above. Over the same period, “average” Wisconsin wages dropped from 93 to 88 percent of the national “average” wage.
- For large groups of Wisconsin workers, the wage picture is still worse. Among full-time Wisconsin workers, wages fell 10 percent over 1979–97 — twice as fast as their national cohort. Among all Wisconsin men, they fell 17 percent — again faster than nationally. Among black men, they dropped 33 percent — twice the national rate. And they fell for all of the 75 percent of the working population (including men and women) without college degrees: 27 percent for high school dropouts, 14 percent for high school graduates, and 9 percent for those with 1–3 years post high school education (though this last group posted an increase over 1989–97).
- The wages of Wisconsin women improved over the period, but the increases were below national averages, and very small. Over the 1979–97 period, the median female wage in the state rose just 4.7 percent, from \$8.84 to \$9.25 — 41 cents over two decades, or about two pennies a year. Looking at the ratio of female/male average earnings, the so-called “gender gap” in wages, shows some decline in that gap over the period, but this owes almost entirely to the decline in male earnings, not the increase in women’s wages. If average wages for men had remained at their 1979 level, women’s increased earnings since then would have closed the gap by only 2 percentage points — to 60 percent. At this rate of progress, the Wisconsin gender gap will not be closed for another 400 years!
- Combined in two parent families with children, falling men’s wages and stagnating women’s wages did result in an increase in family incomes. Nationally, four-person family income is up 9 percent from 1979; in Wisconsin, it is up 6 percent, or two-thirds as much. This small increase, however, implies annual rates of growth less than a fifth of those of a generation ago, and owes entirely to increased work effort. Nationally, over the period, we know that the average married couple with children increased their annual hours worked by 19 percent — to about 3850 hours a year. We estimate that the typical married couple in Wisconsin increased them even more. Had Wisconsin men and women’s wages remained at their 1979 level, such a couple would have seen their annual income rise 13 (not 6) percent over 1979–97 — or about \$3,400 more than it did.
- The share of Wisconsin jobs paying extremely low wages has also increased over the period. While ebbing somewhat in recent years, the share of Wisconsin jobs paying \$8.20 an hour or less — insufficient to lift a full-time worker above the

poverty line for a family of four — grew by about a fifth over 1979–97, from 26 to 31 percent. Among full-time workers, the increase was even faster, jumping by more than a third (from 14.9 to 20.3 percent). This outpaced the national increase in “poverty wage” jobs over the period.

- A growing number of working Wisconsin families, indeed, are literally poor — living below the family-size-adjusted poverty line. Since the late 1970s, the share of working families who are officially “poor” in this sense has increased by more than 70 percent (from 4.6 to 7.9 percent), far outpacing increases nationally.
- At present, better than half a million Wisconsinites live in poverty, up from less than 400,000 two decades ago. And since the late 1970s, the poverty rate among Wisconsin children has increased 50 percent (from 10.4 to 15.1 percent) — better than half again as much as the national increase over the same period.
- Finally, as might be expected from these wage and income figures, income inequality in Wisconsin is growing. Using the ratio of the income of the top and bottom fifth of families as our measure, inequality has increased some 18 percent since the late 1980s alone — some 50 percent faster than it did nationally. If the trend continues, Wisconsin will be about a third less equal at the end of this decade than it was at its beginning. Perversely, Wisconsin’s tax system compounds such inequality, imposing twice the tax rate on the bottom 20 percent of families (13.6 percent) as it does on the top 1 percent (6.4 percent).

Despite these distressing trends, Wisconsin retains enormous strengths as an economy and a community. Our work ethic is more than alive and well, and workforce educational attainment has increased dramatically in recent years. Our industrial base is diverse, and boasts many vibrant new sectors of high-wage growth. While poverty and inequality have increased, they remain well below national levels. As a state, in short, we are well positioned to improve our economy’s performance for workers and their families. The chief question before us is simply whether, as a state, we will summon the will to do so.