

Introduction

The economic expansion that began in 1991 has turned out to be longer and stronger than any other in American history. Over the last five years, economic growth and declining unemployment rates have started to bear fruit for working families' incomes. Even so, the typical American family is working more hours, wage inequality remains high, poverty has stagnated rather than fallen, and poor job quality is still a serious American problem.

Where do Wisconsin workers and families stand in this picture? Are we doing better or worse than the national average, better or worse than our own recent past? How equally are we distributing the fruits of growth, and have things improved for our poorest workers?

The State of Working Wisconsin, 2000 is our attempt to answer these questions with the best and most recent information available. Drawing on a wide variety of data we find that median family income and median wages are up and growing in the 1990s. Still, there is cause for concern: our families are working longer hours, income inequality here is on the rise, and many of Wisconsin's workers remain stuck in low-wage jobs.

These findings are summarized here and detailed in the full report. First, a word about "income" and "wages." **Income** means all sources of money — wages, salaries, interest, dividends, and cash entitlements — available to a family. The **median** family is exactly at the middle of the income distribution: half of families have higher income, and half have lower. **Wages** refer to the hourly earnings of an individual's primary job. Wages, therefore, measure how individual workers are faring, and more importantly, the quality of the jobs they hold.

Key Findings

The median family income in Wisconsin is up and has recently been growing at almost double the national rate.

For the nation as a whole, the annual growth rate of family income in the 1990s was 0.5 percent. But Wisconsin nearly doubled that rate, with incomes growing by 0.9 percent each year. This is clearly good news, news that is shared with the rest of the region.

Nevertheless, it is worth remembering that annual income growth of greater than 2 percent was the *norm* in the first 30 years of the post-war period. So the performance of the late-1990s is very good by recent standards, but compared to what many working families grew up expecting, even these improved rates of growth are sluggish.

Median Income for Four Person Families: U.S., Wisconsin, and Peer States, 1979–98					
(1998 dollars)					
	1979	1989	1998	Annual Growth Rate	
				1979–89	1989–98
U.S. Total	49,330	53,584	56,061	0.8	0.5
Wisconsin	51,803	53,313	57,890	0.3	0.9
Illinois	53,449	56,010	61,672	0.5	1.1
Indiana	49,812	50,216	55,284	0.1	1.1
Iowa	49,708	48,290	53,230	-0.3	1.1
Michigan	53,794	56,294	59,019	0.5	0.5
Minnesota	53,766	55,689	67,140	0.4	2.1

Source: Economic Policy Institute, State of Working America, 2000–2001.

Moreover, the hours that American families work are at an all-time high. The median American family with two children has the equivalent of 1.73 full-time workers, committing 3,600 hours to the labor force per year; we know that the work ethic in Wisconsin is even stronger.

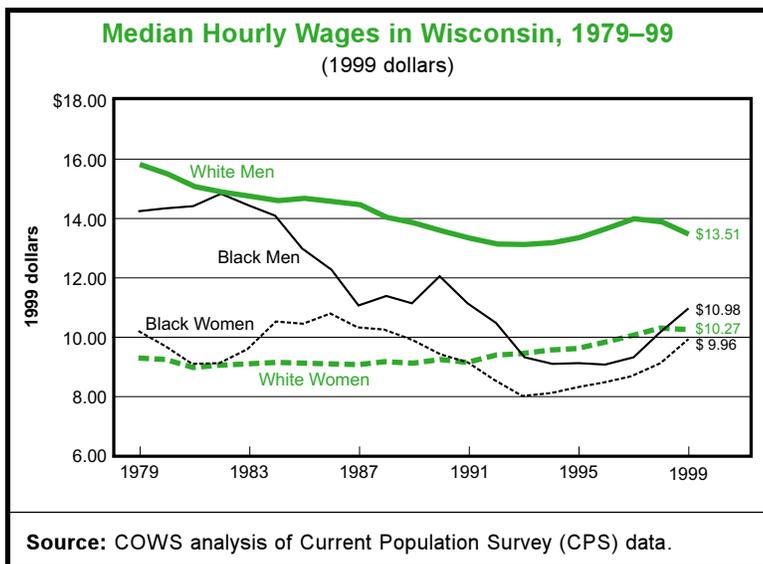
Overall, median wages are moving upward, but are down from 1979 for white men, African-Americans, and full-time workers.

Median wages have increased every year since 1995 and are now back at their levels of a decade ago. Even so, the median wage in Wisconsin remains nearly 5 percent below the level of 1979 — despite all the improvements in workforce education and productivity since that time. Trends are more sobering when viewed by race and gender groups, with blacks and white men in the state substantially below their 1979 wages.

The wage status of full-time workers is of particular interest, because they are more likely to be family “breadwinners.” Wages for this group went up only \$0.20 per hour from 1989–99: a two-cent increase each year for the decade. This slight gain still leaves Wisconsin’s breadwinners fully 9.4 percent below their median wage in 1979. Disturbingly — and paradoxically — those working the most in our economy are gaining the least from it.

While many of our residents are celebrating the state’s new prosperity, significant numbers are still locked out of jobs that pay family-supporting wages.

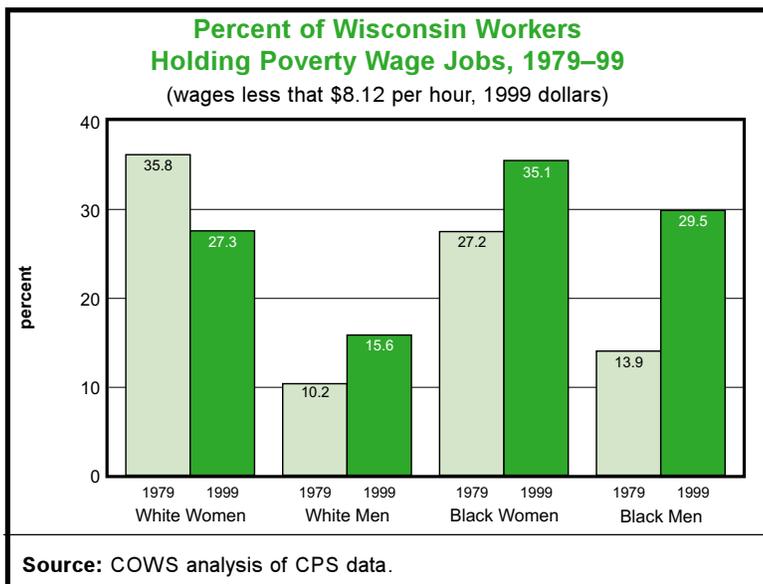
Wisconsin’s workers are playing by the rules, yet many are stuck in poverty-wage jobs — jobs paying a wage insufficient to



Median Hourly Wages for All Workers, and Full-Time Workers in Wisconsin, 1979–99
(1999 dollars)

	Median Hourly Wage			Percent Change	
	1979	1989	1999	1979–99	1989–99
Full-Time Workers	\$ 13.87	\$ 12.36	\$ 12.56	- 9.4 %	1.7 %
All Workers	12.43	11.07	11.84	- 4.7	7.0

Source: COWS analysis of CPS data.



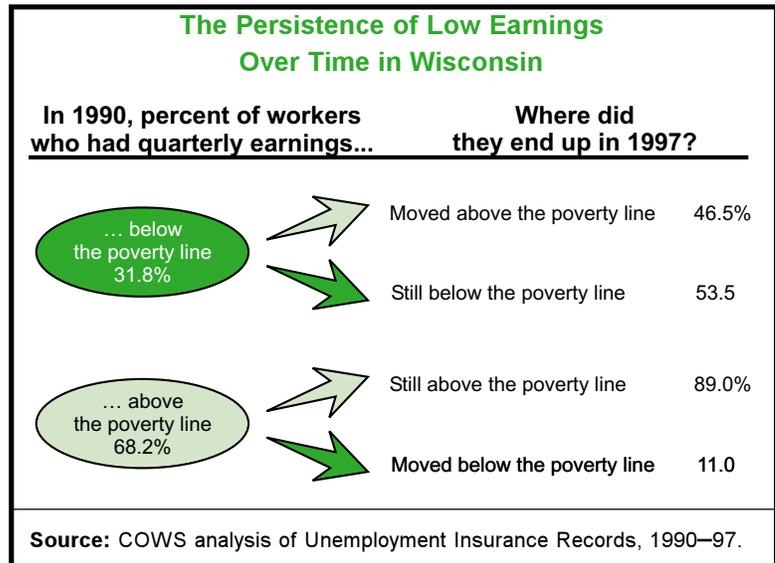
lift even a full-time, year-round worker to the poverty line for a family of four with two children. In 1999 dollars, this wage was \$8.12 an hour or less.

Only white women have seen a decline in jobs paying below the poverty line, down from 36 percent in 1979 to 27 percent in 1999. For the rest, however, poverty-wage employment has actually increased. We are now at the point where roughly a third of black workers do not hold jobs paying above the poverty line, and the percentage of white men with poverty-wage jobs has increased by 50 percent over the last two decades.

Job quality is a problem in Wisconsin for a number of reasons, including:

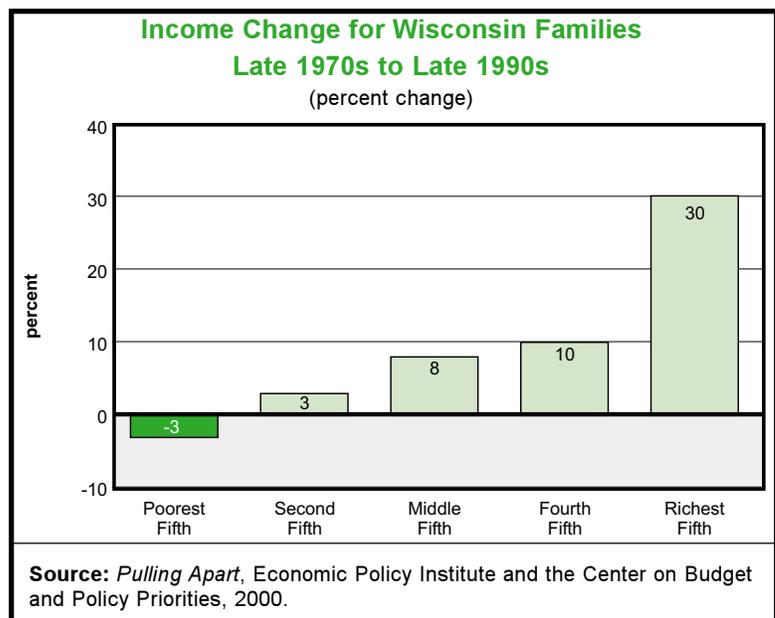
- the growth of low-wage service industries;
- the large number of entry-level, non-unionized jobs;
- lack of access to full-time work; and
- the fact that low-wage jobs often “trap” workers.

On this final point, low-wage jobs not only pay very little, but over the long run, they often lead to low-wage careers, even in the prosperous ‘90s. In 1990, almost a third (31.8 percent) of Wisconsin workers had quarterly earnings that fell below the poverty line. Eight years later, more than half of those (53.5 percent) still had earnings below the poverty line. By contrast, of the workers who in 1990 held a higher paying job, the vast majority (89 percent) still did in 1997.



The strong Wisconsin economy masks growing inequality.

From the late 1970s to the late 1990s, the average real income of Wisconsin families in the bottom fifth of earnings fell 3 percent, to \$17,324. By contrast, families in the top quintile saw their average income rise over 30 percent, to \$141,588. In the middle of the income distribution, the median family fared better than the bottom, but not as well as the top.



Building a High Road Economy

Preserving Wisconsin's traditions, and extending and sustaining our economic prosperity, requires an agenda to improve the quality of jobs, support working families, reduce racial disparity, and strengthen our cities.

Improve Job Quality

- Increase the state's **minimum wage** and index it for inflation
- Support and expand **unionization** by improving opportunities for collective bargaining
- Improve and expand **workforce development and training initiatives**
- Improve **accountability in state and local economic development** programs through mandatory scoring and reporting criteria
- Encourage and increase **employee ownership** through regional investment funds, stock ownership plans, and worker cooperatives

Support Working Families

- Adjust the federal **Earned Income Tax Credit (EITC)** so it phases out more slowly (as income increases), and expand the credit for married two-earner couples
- Expand access to state **child care** assistance and support initiatives to improve the quality of jobs for child care workers
- Extend **health insurance** coverage by improving Badger Care enrollment and eligibility
- Reform Wisconsin's **tax system** to make it more progressive

Reduce Racial Disparity by Focusing on Education and Training

- Reform the current system of **funding primary education** and modify revenue caps to ensure educational attainment is based on ability rather than zip code
- Prepare **non-college bound high school students** for the transition from school to work

Rebuild Metro Areas and Discourage Statewide Sprawl

- Encourage regional policies that capture natural linkages in our metro areas and promote **regional equity**
- Promote **cooperative urban redevelopment strategies** that create family supporting jobs and return economic opportunity lost to suburban sprawl
- Use the state's recently enacted **Comprehensive Planning** law to control growth and reduce costly, inefficient development
- Improve our use of federal **transportation enhancement** funds

Pursuing such a course would bring great benefit to the state, but perhaps the most important result of this report will be increasing civic dialogue about the state of working Wisconsin. Only when we all know the facts can we get to work solving the problems.

Acknowledgments

Our release of this report corresponds with the national release of *The State of Working America, 2000-2001* by the Economic Policy Institute, a non-partisan research institute in Washington, DC. We thank EPI for their generous support of this project in the form of data and other technical assistance.

Thanks also to the Ford Foundation and the University of Wisconsin-Madison for their support.

Sources & Definitions

Current Population Survey, Bureau of the Census. The CPS is a survey of roughly 50,000 households nationwide conducted every month that provides information on wages, hours, industry, and occupation for individuals, who in turn are classified by such demographic variables as age, sex, race, and education. Median wage and poverty wage trends are based on COWS' analysis of the CPS "outgoing rotation" files. For consistency with national reports, we use the definitions and sample selection used by the Economic Policy Institute (EPI). EPI has shared their working versions of the CPS files with us for our analysis.

State of Working America, 2000-2001. This report, by economists Lawrence Mishel, Jared Bernstein and John Schmitt, provides a comprehensive examination of the changing living standards of working Americans. The book presents new data on family incomes, taxes, wages, jobs, unemployment, wealth, and poverty, as well as state-by-state, regional, and international comparisons of key indicators.

Wisconsin Unemployment Insurance Records from 1990-97. COWS analyzed a 5 percent sample of wage records drawn from the Unemployment Insurance data files maintained by the State of Wisconsin, Department of Workforce Development.

Definition of poverty. In the 1950s, the "poverty line" entered the national pantheon of statistics. The definition was imperfect when it was developed, and the problems with it have grown over time. However, it remains the most common benchmark on material deprivation, the key indicator of life in poverty. For a family of four in 1999, the poverty line was just \$16,895.

Pulling Apart: A State-by-State Analysis of Income Trends. Our income inequality data is derived from this report by the Center on Budget and Policy Priorities and the Economic Policy Institute, January 2000.

The Center on Wisconsin Strategy

The Center on Wisconsin Strategy (COWS), based at the University of Wisconsin-Madison with a field office in Milwaukee, is a research and policy center dedicated to improving economic performance and living standards in the State of Wisconsin.

1180 Observatory Drive, Room 7122, University of Wisconsin-Madison, Madison, WI 53706
TEL: 608-263-3889 FAX: 608-262-9046 E-MAIL: cows-info@cows.org
WEBSITE: <http://www.cows.org/>

COWS staff is available to present portions of the State of Working Wisconsin 2000 to your organization. For more information, call Michael Jacob at 608-262-5176.