

The State of Working Wisconsin

Executive Summary

2002



By the turn of the century, the economic expansion of the 1990s had finally begun to bear fruit for America's working families. Just before the end of the boom, wages rose — especially at the bottom of the labor market — and workers were able to move from substandard, irregular jobs to more permanent, consistent work.

Our recent recession brought an end to these economic good times. Unemployment is up, job growth is sluggish, and the manufacturing sector has been hit with severe job losses. Recent corporate scandals have further eroded consumer confidence and economic insecurity appears to be on the rise.

Where do Wisconsin workers and families stand in this picture? Did the long economic expansion pay off here in the Badger State? What are the costs of the current recession? Are we doing better or worse than the national average, better or worse than our own recent past? What are the trends in wages and income in our state? How equally are we distributing the fruits of growth, and have things improved for our poorest workers?

The State of Working Wisconsin, 2002 is our attempt to answer these questions with the best and most recent data available. Drawing on a wide variety of information on family incomes, taxes, wages, unemployment, and poverty, it examines the impact of today's economy on Wisconsin workers and families.

The Center On Wisconsin Strategy

Full report available at www.cows.org

Introduction

In this edition of *The State of Working Wisconsin* — which relies on data through 2001 — there is some good long-term news for working families in the state: median wages finally exceed their 1979 levels and family income is up. But the positive trends may be substantially eroded by the current economic downturn. And, importantly, key challenges remain, especially in terms of economic inequality and job quality in the state.

Key findings

Median family income is up, but so are the hours devoted to work

Median family income, adjusted for inflation, is up in Wisconsin. This is good news, since during the first part of the 1990s incomes were still drifting downward. But the good news is tempered by two facts: family income has grown largely because of increases in the number of hours worked; and by historical standards, Wisconsin's income growth over the 1990s has hardly been impressive. Nevertheless, after years of sluggish growth, Wisconsin's families are finally moving ahead.

Currently, median family income in Wisconsin exceeds the national median income by 6.5 percent. But "family income" includes all wages earned in a family unit. Given that the state's labor force participation so substantially exceeds the national rate (fully six percent higher), and that people in Wisconsin work more hours per year than the average American, we'd expect Wisconsin's median family income to be substantially above national levels.

The hours that Wisconsin families commit to work — both on the job and getting there — are at an all-time high. With more than 4,300 hours devoted by families to paid work — 3,981 to work and 346 commuting — the median family with children is reaching its limits. It is no surprise that families, especially those with small children, feel caught in a time crunch: needing time with their kids as well as income from work, and increasingly forced to choose income.

Sources & Definitions

Current Population Survey (CPS), 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.

U.S. Census

Every ten years the Census Bureau in the U.S. Department of Commerce conducts the most comprehensive count of people and households in the United States, providing extensive demographic, employment, housing, economic and social information.

The State of Working America, 2002–2003

This report, by economists Lawrence Mishel, Jared Bernstein and Heather Boushey, 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, 1995–2000

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.

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 2002.

Defining 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 2001, the poverty line was just \$17,960.

Median Income for Four-Person Families, 1978–2000

(2000 dollars)

| | Average Annual Growth Rate | | | | | | |
|-------------|----------------------------|------------------|------------------|------------------|--------------|--------------|--------------|
| | 1978–79 | 1988–89 | 1995–96 | 1999–00 | 1980s | 1990s | 1995–00 |
| U.S. | \$ 49,468 | \$ 54,959 | \$ 56,053 | \$ 62,112 | 1.1 % | 1.1 % | 2.6 % |
| Wisconsin | 51,442 | 54,546 | 57,384 | 66,146 | 0.6 | 1.8 | 3.6 |
| Illinois | 53,534 | 58,021 | 60,473 | 68,351 | 0.8 | 1.5 | 3.1 |
| Indiana | 49,877 | 52,449 | 55,595 | 61,282 | 0.5 | 1.4 | 2.5 |
| Iowa | 50,108 | 49,256 | 52,889 | 58,973 | -0.2 | 1.7 | 2.8 |
| Michigan | 53,686 | 57,751 | 60,433 | 68,203 | 0.7 | 1.5 | 3.1 |
| Minnesota | 52,936 | 57,464 | 61,256 | 69,735 | 0.8 | 1.8 | 3.3 |

Source: Economic Policy Institute.

Overall, median wages continue to slowly rise, but they are down from 1979 for white men, African-Americans, and those without a high school degree

Wisconsin's wage news is much better than in the recent past. The median wage — earned by the worker at the exact middle of the wage distribution — has increased close to one percent or more each year since 1996, and is now well above their values of a decade ago. Even so, and despite dramatic improvements in workforce education and productivity since 1979, it is only in the last two years wages that wages have finally moved slightly ahead of their 1979 values. For full-time workers, for white men, for all African Americans, and for people without college degrees, this good news is substantially muted.

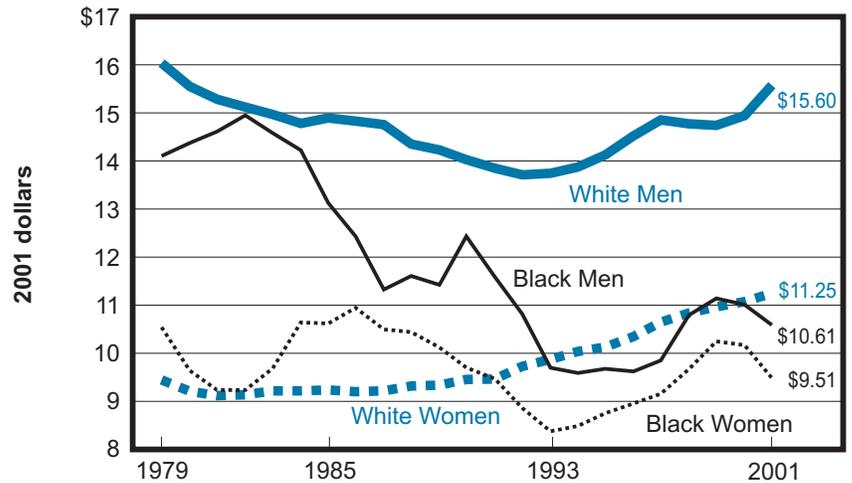
Wages have declined substantially from 1979 values for black Wisconsinites. This compares poorly both to wage trends for whites in the state and to national trends for blacks. Recent years have proven a bit more positive, however, with wages for both black men and women moving up during the late-1990s, although they have lost ground again in the last two years.

Full-time workers are of particular interest because they are more likely to be household or family “breadwinners.” From the perspective of these workers, the 1990s have offered considerably less progress than for the overall workforce. In Wisconsin, the median for breadwinners grew just 1.6 percent (22 cents) from 1979 to \$13.87 in 2001. Disturbingly — and paradoxically — those working the most in our economy are gaining the least from it.

Finally, only the most educated have reaped the benefits of the new prosperity. For the majority of Wisconsin workers (75 percent) who do not hold a four-year college degree, wages have either declined or increased very little.

Median Wages, Wisconsin, 1979–2001

(2001 dollars)



Source: COWS Analysis, Current Population Survey.

Median Hourly Wages for Full-Time Workers, 1979–2001

(2001 dollars)

| | Median Hourly Wage | | | | Percent Change | |
|-----------|--------------------|----------|----------|----------|----------------|-----------|
| | 1979 | 1989 | 2000 | 2001 | 1979–2001 | 1989–2001 |
| Wisconsin | \$ 13.65 | \$ 12.79 | \$ 13.44 | \$ 13.87 | 1.6 % | 8.4 % |
| U.S. | 12.92 | 12.99 | 13.52 | 13.90 | 7.6 | 7.0 |

Source: COWS Analysis, CPS.

Median Hourly Wages, by Education, 1979–2001

(2001 dollars)

| | Median Hourly Wage | | | | Percent Change | |
|--------------------|--------------------|---------|---------|---------|----------------|-----------|
| | 1979 | 1989 | 2000 | 2001 | 1979–2001 | 1989–2001 |
| Wisconsin | | | | | | |
| Men | | | | | | |
| No H.S. Degree | \$13.85 | \$10.58 | \$10.00 | \$ 9.79 | - 29.3 % | - 7.5 % |
| H.S. Graduates | 15.85 | 13.61 | 12.75 | 13.57 | - 14.3 | - 0.3 |
| 1–3 yrs. Post H.S. | 15.43 | 12.53 | 14.94 | 14.85 | -3.8 | 18.5 |
| College Grads | 18.34 | 19.43 | 21.05 | 22.50 | 22.7 | 15.8 |
| Women | | | | | | |
| No H.S. Degree | \$ 8.39 | \$ 6.98 | \$ 7.97 | \$ 8.35 | - 0.5 % | 19.6 % |
| H.S. Graduates | 9.09 | 8.82 | 10.17 | 9.95 | 9.4 | 12.7 |
| 1–3 yrs. Post H.S. | 9.70 | 9.49 | 10.77 | 10.50 | 8.2 | 10.6 |
| College Grads | 12.68 | 15.24 | 18.00 | 18.51 | 45.9 | 21.5 |

Source: Authors' Analysis, CPS.

Significant numbers of workers in the state are still locked out of jobs that pay family-supporting wages

Even while many state residents are celebrating the prosperity afforded much of Wisconsin in the late 1990s, tens of thousands of working families have not yet achieved even minimal financial security.

- In 1979, one in five Wisconsin workers worked in a poverty-wage job. Over the next decade, this number increased significantly, to almost one in three workers by 1989. The 1990s then brought a reversal of this decline in job quality. Poverty-wage employment has receded, especially in the last several years, dropping back to 20.6 percent of all jobs in the state in 2001.
- As a group, only white women have seen a decline in poverty-wage jobs over time, down from 35 percent in 1979 to 26 percent in 2001; however, white women are still much more likely to hold poverty-wage jobs than white men.
- Among black men, the percent of workers with low-wage jobs has nearly tripled over the last 22 years. Black women show a similar trend over the same time period, with poverty-wage jobs growing from 25 to 43 percent. White men are the least likely to earn poverty wages, but even this group has seen a ten percent increase in those with holding a poverty wage job over 1979.
- Less educated workers have suffered the most from the expansion of poverty wage jobs. Close to half of high school dropouts in the state earned poverty wages, compared with slightly over one quarter in 1979.
- Low-pay industries have grown much more rapidly than high-pay industries during the last two decades.

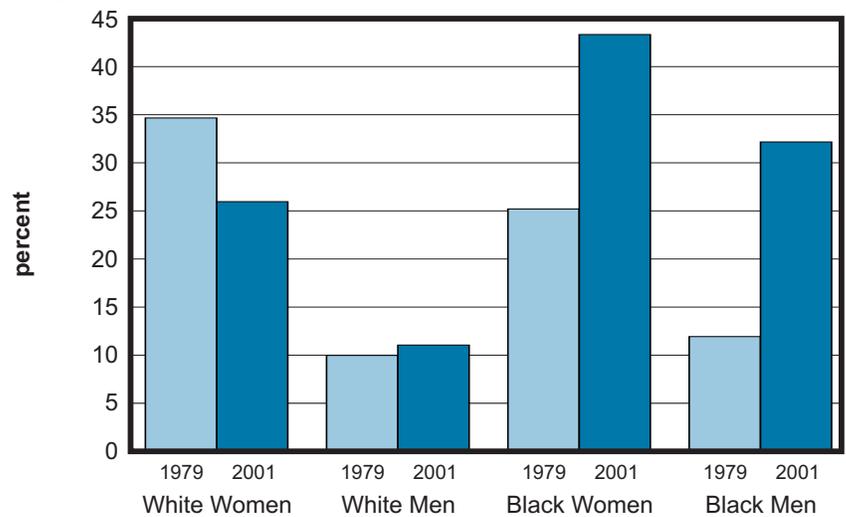
A number of critical factors contribute to Wisconsin's job quality decline: the strong growth of low-wage service industries; lack of access to full-time

work; the large number of entry-level, non-unionized jobs; and the fact that low-wage jobs often "trap" workers and lead to low-wage careers.

Using data that allows for following workers over time, we found that large numbers of workers in the state are caught in low-wage careers. Of workers that had quarterly earnings that would put a family of four below the poverty line in 1995, more than half (51 percent) still held a poverty-earnings job five years later, in 2000.

Share of Wisconsin Workers Earning Poverty Wages, 1979–2001

(wages less than \$8.63/hr. in 2001)

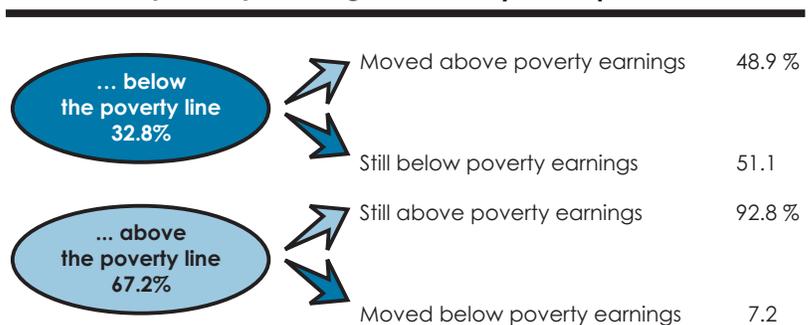


Source: COWS Analysis, CPS.

The Persistence of Low Quarterly Earnings Over Time in Wisconsin

In 1995, percent of workers who had quarterly earnings...

Where did they end up in 2000?



Source: COWS Analysis, Wisconsin Unemployment Insurance Records, 1995 and 2000.

Despite a strong economy in the late 1990s, income inequality grew in Wisconsin

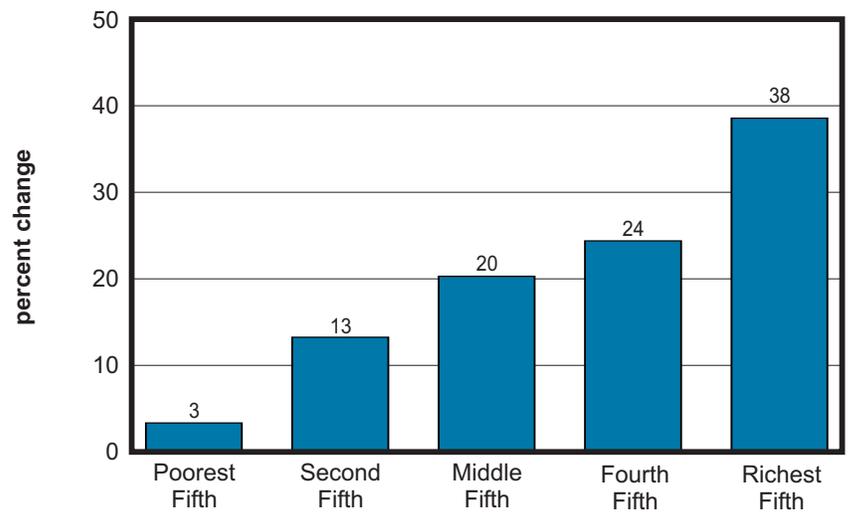
From the late 1970s to the late 1990s, the average real income of families in the bottom fifth of earnings grew just 3.3 percent, to \$17,388 (or less than \$28 per year). At the same time, families in the top income quintile saw their average income rise more than 38 percent, to \$141,858. For the middle fifth of families, real income grew 20 percent, to \$56,553. So, while middle-income families moved slowly upward, with an annual income increase of \$470, the state's richest families sprinted forward, each year pulling in over \$1,945 more than the year before.

Wisconsin's recent surge in income inequality has been especially marked. From the late 1980s to the late 1990s, inequality grew rapidly in the state, in spite of Wisconsin's strong economic performance. The income of Wisconsin's poorest families grew only two percent, while the income of the state's highest income families grew 15 times that much.

Inequality between different geographical areas within the state is also substantial. Median family income is much higher in urban areas — particularly in the Milwaukee metropolitan area, Dane County, and St. Croix and Pierce counties (which are close to the Twin Cities in Minnesota). In most of Northern Wisconsin median family income is relatively low, and much lower than income in Wisconsin's southeastern region. Menominee County, an Indian reservation and the poorest county in the state, has a median family income of just \$23,500, less than half the state median of \$52,911 and less than one-third the median family income in Pierce and St. Croix counties, where the state's highest median family income, \$74,700, can be found.

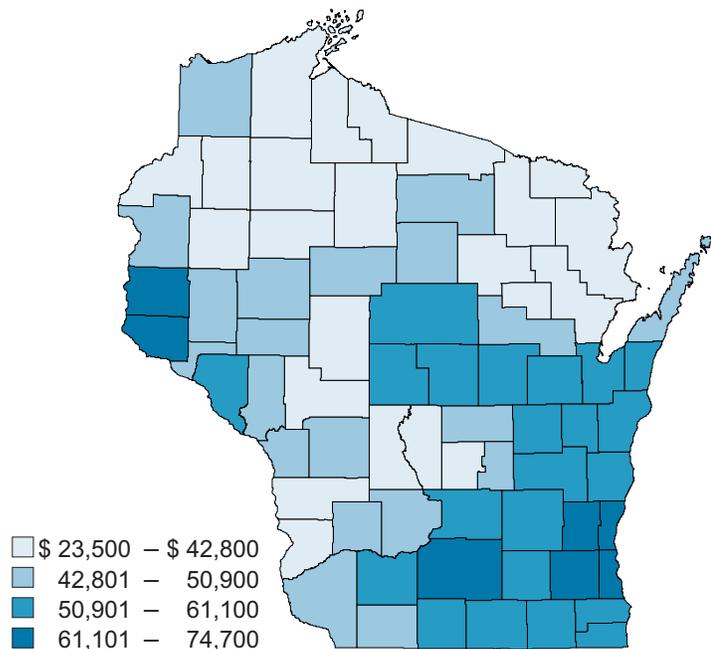
Change in Family Income, Wisconsin, Late 1970s to Late 1990s

(percent change, by fifth of families)



Source: *Pulling Apart: A State-by-State Analysis of Income Trends*.

Wisconsin Median Family Income by County, 1999



Source: 2000 Census.

Building a High Road Economy

This report has documented Wisconsin's growth in poverty wage jobs, the growing time crunch on working families, and wage stagnation for most workers. For many Wisconsinites, the prosperity of the last several years has simply passed them by. For most, the quality of living here simply does not match the past.

Now the state confronts the additional problem of paying a large bill for years of fiscal irresponsibility and misguided program: a \$3 billion-plus biennial deficit that will need to be closed without the usual gimmicks. How the next administration solves this problem will define its legacy, and our state's future.

Either we continue, with less money, with the "low-road" policies of the past. These will produce more of the economic outcomes reported here. Or we can break squarely with those policies, and embark on a "high road" path aimed at raising working class incomes, and increasing the productivity and innovation needed to support them. Natural steps here include:

Raise the Minimum Wage: Still stuck at \$5.15 an hour, our minimum wage is well below its historic peak of \$8 an hour in real dollars, reached in 1968. It is even further below what productivity increases since that time would correct it to be, roughly \$14 an hour.

Restore the Right to Organize: It takes a village to raise a child, but it often takes a union to get a raise. We should restore the "right to organize" that is no longer protected by federal law. Among other things, that means conditioning all public assists to employers on their not violating that right with state funds, as they now frequently do.

Broaden High Road Partnerships: Business leaders and labor both have a stake in a trained, involved, productive workforce, using modern techniques of production and service. Such "high road partnerships," like the Wisconsin Regional Training Partnerships, should be encouraged throughout our economy.

Insist on Development Accountability: Wisconsin spends about \$3.5 billion each biennium on tax breaks, economic development aids, or regulatory exemptions — all offered to promote economic development. But the right kind of development is commonly not occurring. We should move to full disclosure on all such assists, and insist on accountability in them. If public dollars are being spent without positive results for wages and employment, they should be withdrawn.

Organize the State Development Effort: Wisconsin's economic development programs are scattered and hard to track. They need to be centralized in administration, made more transparent to the public, and held to clear standards on performance.

Encourage Regional Development: Most of Wisconsin's economy is organized regionally, but most of our government is organized along other lines that don't match that economic reality. Without undermining our traditions of local government, we should put clear state incentives toward high road regional cooperation. That means rewarding those who cooperate, and not rewarding those who do not.

Expand Ownership: Through worker pension funds and other means, we should make it easier for more people to have a real "stake" in our economy.

Discourage Sprawl: Sprawl is not just an environmental and quality of life problem. It is an economic one. We want to concentrate population to realize efficiencies in production, and better pay for the public goods, needed for a high road future.

There is much more that could be done to put Wisconsin on the high road of shared prosperity, but first we need to decide if we want to go there. The economy will not drift there on its own. We must make the choice about our future.

Acknowledgments

Our release of this report corresponds with the national release of *The State of Working America, 2002-2003* by the Economic Policy Institute, a non-partisan research institute in Washington, D.C. We thank EPI for their generous support of this project in the form of data and other technical assistance.

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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.

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COWS staff is available to present portions of the *State of Working Wisconsin 2002* to your organization. For more information, call Michael Jacob at 608.262.5176.