

# The State of **Working Wisconsin**

## Update 2003

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**T**he country's economic downturn is now more than two years old, and the costs in layoffs, job loss, and unemployment are still rising. The local effects of the national downturn are clear enough. Our unemployment rates are up, job growth has slowed substantially, and our manufacturing sector is in serious decline. The cuts required to keep the state budget in balance make clear just how significant the downturn has become.

What does the recent recession mean for Wisconsin workers and families? Are we still slipping behind or are things getting better? And how do we compare to nearby states and the nation as a whole? Every two years, the Center on Wisconsin Strategy (COWS) produces *The State of Working Wisconsin*, to answer these questions. Our most recent full report, *The State of Working Wisconsin 2002* (released last Labor Day), showed that wages and family incomes were on the rise, but that many of Wisconsin's workers remained stuck in low-wage jobs, and that, for most Wisconsin families, income gain came at the price of increased hours of work.

Relying on data provided by the Economic Policy Institute (EPI) in Washington, D.C., we offer "The State of Working Wisconsin: Update 2003" as a brief investigation of the effects of the continuing economic slowdown on workers in the state.

A brief overview of the situation in Wisconsin offers up some grim news. Unemployment has increased in Wisconsin, up two percentage points from 3.5 percent in 2000 to 5.6 percent in 2002. The unemployment rate in the state is substantially higher for the black population: 19.1 percent, far exceeding both the regional and the national unemployment rates among black people. In terms of employment by industry, the manufacturing industry lost the largest number of jobs – 54,000 were lost in the state alone between 2001 and 2003, a 9.5 percent decrease. Wages in Wisconsin virtually stagnated between 2001 and 2002, barely rising from \$13.03 to \$13.18, a mere 1.15 percent increase.

# Continuing Evidence of Downturn: Unemployment and Underemployment Move Up

## Unemployment

**U**nemployment rates, their disturbing distribution, and the number of workers exhausting their Unemployment Insurance benefits all provide evidence that working Wisconsin continues to suffer from this downturn. (See Table 1.)

After more than a decade with unemployment well below national rates, Wisconsin has closed the gap and is now posting rates at the national average. The 2002 unemployment rate for the state is 5.6 percent, up from 3.5 percent in 2000. While this number is lower than the unemployment rate in the Great Lakes Region as a whole (5.9 percent) and the national rate (5.8 percent), Wisconsin's *increase* in unemployment of two percentage points over the period outpaces the national increase. (The Great Lakes Region includes Ohio, Indiana, Illinois, Michigan, and Wisconsin.)

The increase in unemployment has been drastic for Wisconsin men, whose unemployment rate increased 2.9 percentage points, nearly doubling, to a total 6.5 percent unemployment rate. Before the downturn, the male and overall unemployment rates had been virtually equal (3.6 and 3.5 percent, respectively). Wisconsin women fared slightly better, with an unemployment increase of one percentage point, for a total of 4.5 percent.

As is true of so many indicators, minorities in the state have borne the brunt of unemployment and its increase. While unemployment among whites increased two percentage points (equal to the statewide increase), their overall unemployment rate remained below the state's level, at five percent. This was offset by the 19.1 percent unemployment rate among blacks – more than three times the state's overall rate and almost four times the rate of the white population. Moreover, this rate far exceeds both the regional (11.7 percent) and the national (10.3 percent) unemployment rates for blacks. (The sample size of blacks in the Current Population Survey, the data source used by EPI, is insufficient in 2000 to provide reliable estimates of unemployment for that year. Likewise, the sample size for other minorities is insufficient in both 2000 and 2002 to provide data for the state for either year.)

Finally, those with less education have also fared particularly poorly in recent years, especially in Wisconsin. Wisconsinites with education less than high school faced a 6.4 percentage point increase in unemployment – the highest percentage point increase exhibited by any studied subgroup in the state, region, or nation – to reach 15.5 percent, also well above the regional and national numbers for this category (13.9 and 11.9 percent, respectively). Interestingly, while our least schooled residents faced extreme displacement, our college graduates fared well relative to the region and the nation. Less than two percent of college graduates were unemployed, both in 2000 and 2002.

Table 1

**Unemployment Rates, 2000 and 2002**

	2000	2002	Change
<b>Wisconsin</b>			
All	3.5%	5.6%	2.0
Gender			
Male	3.6%	6.5%	2.9
Female	3.5%	4.5%	1.0
Race/ethnicity			
White	2.9%	5.0%	2.0
Black	*	19.1%	*
Hispanic	*	*	*
Asian/Pacific Islander	*	*	*
Education			
Less than high school	9.0%	15.5%	6.4
High school	3.6%	5.9%	2.3
Some college	2.6%	4.6%	2.0
Bachelor's degree or higher	1.8%	1.8%	-0.1
<b>Great Lakes Region</b>			
All	3.9%	5.9%	2.1
Gender			
Male	3.8%	6.3%	2.5
Female	3.9%	5.5%	1.7
Race/ethnicity			
White	3.1%	5.1%	2.0
Black	8.9%	11.7%	2.8
Hispanic	5.2%	7.8%	2.6
Asian/Pacific Islander	3.5%	5.7%	2.3
Education			
Less than high school	9.8%	13.9%	4.0
High school	4.2%	6.6%	2.4
Some college	3.0%	5.0%	2.0
Bachelor's degree or higher	1.7%	2.7%	1.0
<b>United States</b>			
All	4.0%	5.8%	1.8
Gender			
Male	3.9%	5.9%	2.0
Female	4.1%	5.6%	1.5
Race/ethnicity			
White	3.2%	4.8%	1.6
Black	7.7%	10.3%	2.6
Hispanic	5.7%	7.6%	1.9
Asian/Pacific Islander	3.6%	5.9%	2.3
Education			
Less than high school	9.6%	11.9%	2.4
High school	4.4%	6.4%	2.0
Some college	3.1%	5.1%	2.0
Bachelor's degree or higher	1.8%	3.0%	1.2

\*Insufficient sample size.

Note: Figures may not add up exactly due to rounding.

Source: EPI analysis of Current Population Survey data.

## Running Out of a Needed Support: Unemployment Insurance Exhaustions are Up

Traditionally, Wisconsin has had one of the strongest Unemployment Insurance (UI) systems in the nation. That system has come under increasing stress during this economic downturn. As Table 2 shows, in 2002, nearly 55 percent of Wisconsin's unemployed workers received UI benefits. This compares favorably to receipt rates in other states in our region and nationally, where about 42-45 percent of the unemployed receive benefits. Even so, fully 45.2 percent of Wisconsin's unemployed workers receive no UI benefits.

Even more ominous, the share of workers that exhaust the full term of their UI benefits is up dramatically in the state. In 2000, just 17.9 percent of UI recipients in Wisconsin exhausted their benefits before securing a job. In 2002, nearly one in four UI recipients did not secure work before they reached the time limit on their benefits. This increase is disturbing, even though despite increases, Wisconsin's rate of UI exhaustion (24.5 percent) remained far below those of the region and nation (36 percent and 42.4 percent, respectively).

Table 2

### Unemployment Insurance Receipt and Exhaustion Rates, 1989-2002

	1989	1991	2000	2002
<i>Wisconsin</i>				
Receipt rates	40.4%	46.0%	50.3%	54.8%
Exhaustion rates	22.3%	21.7%	17.9%	24.5%
<i>Great Lakes Region</i>				
Receipt rates	30.4%	36.7%	37.9%	45.1%
Exhaustion rates	27.5%	30.3%	25.4%	36.0%
<i>United States</i>				
Receipt rates	32.4%	38.1%	36.2%	42.0%
Exhaustion rates	27.7%	34.5%	31.5%	42.4%

Source: EPI analysis of Bureau of Labor Statistics data.

## A Better Measure of the Problem: Underemployment

### Defining Underemployment

The concept of underemployment, as defined by the Bureau of Labor Statistics, includes the following groups: the unemployed; discouraged workers (people who looked for work at some point over the past year, but have given up due to lack of prospects); involuntary part-timers (part-time workers who would prefer full-time work); and a smaller group of people who want to work but face a barrier such as lack of transportation or child care.

**B**eyond the official unemployment rate sit other workers who can't find jobs. Some of them have simply given up on finding a job. Others take part-time jobs but would prefer full-time work. Still others face child care or transportation barriers to work. These groups, taken together with the officially unemployed, constitute the underemployed. It is unsurprising but nonetheless disturbing that underemployment in Wisconsin parallels the growth and distributional patterns of unemployment.

Defined this way, fully nine percent of Wisconsin workers are underemployed, up from just 6.3 percent in 2000. Again, men faced higher percentages of underemployment than females did at every level measured (state, region, and nation), but the gender difference was most significant within the state (see Table 3). The state's increase in underemployment also showed the most striking gender difference: 3.3 percentage points among men since 2000 versus 1.9 percentage points among women.

And again, blacks faced extremely high rates of underemployment. In 2002, nearly one in four black workers in the state was underemployed. In spite of the fact that Wisconsin's overall underemployment compares favorably with regional and national norms, Wisconsin's black underemployment rate far exceeds underemployment posted by other states in the region or at the national level. This again underscores the excessive levels of racial disparity that Wisconsin consistently shows.

Table 3

**Underemployment Rates, 2000 and 2002**

	2000	2002	Change
<b>Wisconsin</b>			
All	6.3%	9.0%	2.6
Gender			
Male	6.5%	9.8%	3.3
Female	6.2%	8.1%	1.9
Race/ethnicity			
White	5.4%	8.2%	2.8
Black	*	24.2%	*
Hispanic	*	*	*
Asian/Pacific Islander	*	*	*
Education			
Less than high school	15.1%	22.5%	7.4
High school	6.8%	9.8%	3.0
Some college	4.8%	7.4%	2.6
Bachelor's degree or higher	3.2%	3.6%	0.3
<b>Great Lakes Region</b>			
All	6.6%	9.5%	2.9
Gender			
Male	6.4%	9.9%	3.5
Female	6.9%	9.0%	2.2
Race/ethnicity			
White	5.6%	8.3%	2.8
Black	14.3%	17.5%	3.2
Hispanic	8.2%	13.3%	5.0
Asian/Pacific Islander	5.7%	8.7%	3.0
Education			
Less than high school	15.8%	20.7%	5.0
High school	7.4%	10.9%	3.5
Some college	5.2%	8.0%	2.8
Bachelor's degree or higher	2.9%	4.4%	1.4
<b>United States</b>			
All	7.0%	9.6%	2.6
Gender			
Male	6.7%	9.6%	2.9
Female	7.4%	9.6%	2.2
Race/ethnicity			
White	5.7%	7.9%	2.3
Black	12.5%	15.7%	3.2
Hispanic	10.3%	13.6%	3.3
Asian/Pacific Islander	6.4%	9.4%	3.0
Education			
Less than high school	15.9%	19.6%	3.7
High school	7.9%	10.9%	3.0
Some college	5.5%	8.3%	2.7
Bachelor's degree or higher	3.1%	4.9%	1.8

\* Insufficient sample size.

Note: Figures may not add up exactly due to rounding.

Source: EPI analysis of Current Population Survey data.

# Jobs, Especially in Manufacturing, Decline

## Fewer Jobs

Since the start of the 2001 recession, Wisconsin has incurred a total net loss of more than 50,000 private-sector jobs (see Table 4). Our total private-sector employment today is 2.3 percent below total private-sector employment before the start of the recession. These declines are especially striking when compared to total employment patterns over the course of the last recession, in 1991. In the 24 months following the start of that recession, Wisconsin actually posted modest job growth. This recession has not been so easy on the state or on the Midwest.

Table 4

### Total Payroll Employment and Private-Sector Payroll Employment, 24 Months after Start of Recession (numbers in thousands)

	Start of Recession	24 Months Later	Change	
			Number	Percent
<b>Total Payroll Employment</b>				
Wisconsin				
1990 Recession	2,309.7	2,374.9	65.2	2.8%
2001 Recession	2,788.9	2,739.6	-49.3	-1.8%
Great Lakes Region				
1990 Recession	19,039.9	18,953.6	-86.3	-0.5%
2001 Recession	21,782.5	21,120.1	-662.4	-3.0%
United States				
1990 Recession	109,529.0	108,537.0	-992.0	-0.9%
2001 Recession	131,690.0	129,270.0	-2,420.0	-1.8%
<b>Total Private-Sector Payroll Employment</b>				
Wisconsin				
1990 Recession	1,989.4	2,042.6	53.2	2.7%
2001 Recession	2,367.9	2,313.7	-54.2	-2.3%
Great Lakes Region				
1990 Recession	16,346.0	16,255.0	-91.0	-0.6%
2001 Recession	18,562.4	17,880.6	-681.8	-3.7%
United States				
1990 Recession	91,969.0	90,704.0	-1,265.0	-1.4%
2001 Recession	110,351.0	107,329.0	-3,022.0	-2.7%

Source: EPI analysis of Current Employment Statistics data. Employment figures are available from the Bureau of Labor Statistics website at <http://data.bls.gov/labjava/outside.jsp?survey=sm>.

## Manufacturing Declines

**T**he recession has been difficult in Wisconsin, as Table 5 shows; most notably, it has decimated our manufacturing sector. Since the start of the recession, the state has lost 54,000 manufacturing jobs. That accounts for nearly one in ten of our manufacturing jobs. Such substantial losses over such a brief period could be a real long-term problem for the state, as our manufacturing base has consistently provided some of our highest value-added and highest paying jobs. The construction industry — always subject to severe fluctuation over the business cycle — was especially hard hit in Wisconsin, with employment falling by ten percent.

While manufacturing and construction were hardest hit, other industries in the state faced decreases in employment as well. Notable here are the information industry and the trade, transportation, and utilities sector. Most other industries showed minor to moderate increases in employment statewide, even in cases where they suffered decreases at the regional or national level. The best example of this is employment in the professional and business services industry, which experienced substantial 3.9 and 4.7 percent decreases in the region and nation respectively, but increased, if only slightly, in Wisconsin.

Table 5

**Employment by Industry, 24 Months after Start of Recession**  
 (numbers in thousands)

	March 2001	March 2003	Change	
			Number	Percent
<b>Wisconsin</b>				
Natural resources and mining	3.4	3.5	0.1	2.9%
Construction	110.1	99.1	-11.0	-10.0%
Manufacturing	569.7	515.7	-54.0	-9.5%
Trade, transportation, and utilities	541.7	526.6	-15.1	-2.8%
Information	53.8	50.5	-3.3	-6.1%
Financial activities	151.0	153.4	2.4	1.6%
Professional and business services	235.1	235.5	0.4	0.2%
Education and health services	349.0	363.1	14.1	4.0%
Leisure and hospitality	223.0	226.6	3.6	1.6%
Other services	131.1	139.7	8.6	6.6%
Public administration	421.0	425.9	4.9	1.2%
<b>Great Lakes Region</b>				
Natural resources and mining	41.7	38.6	-3.1	-7.4%
Construction	907.6	865.0	-42.6	-4.7%
Manufacturing	3,864.7	3,438.4	-426.3	-11.0%
Trade, transportation, and utilities	4,315.3	4,128.6	-186.7	-4.3%
Information	436.8	408.7	-28.1	-6.4%
Financial activities	1,209.5	1,212.2	2.7	0.2%
Professional and business services	2,521.2	2,421.7	-99.5	-3.9%
Education and health services	2,583.8	2,700.2	116.4	4.5%
Leisure and hospitality	1,791.6	1,770.3	-21.3	-1.2%
Other services	890.2	896.9	6.7	0.8%
Public administration	3,220.1	3,239.5	19.4	0.6%
<b>United States</b>				
Natural resources and mining	594.0	551.0	-43.0	-7.2%
Construction	6,518.0	6,372.0	-146.0	-2.2%
Manufacturing	16,870.0	14,810.0	-2,060.0	-12.2%
Trade, transportation, and utilities	25,868.0	24,984.0	-884.0	-3.4%
Information	3,713.0	3,296.0	-417.0	-11.2%
Financial activities	7,761.0	7,897.0	136.0	1.8%
Professional and business services	16,585.0	15,810.0	-775.0	-4.7%
Education and health services	15,611.0	16,585.0	974.0	6.2%
Leisure and hospitality	11,645.0	11,716.0	71.0	0.6%
Other services	5,186.0	5,308.0	122.0	2.4%
Public administration	21,339.0	21,941.0	602.0	2.8%

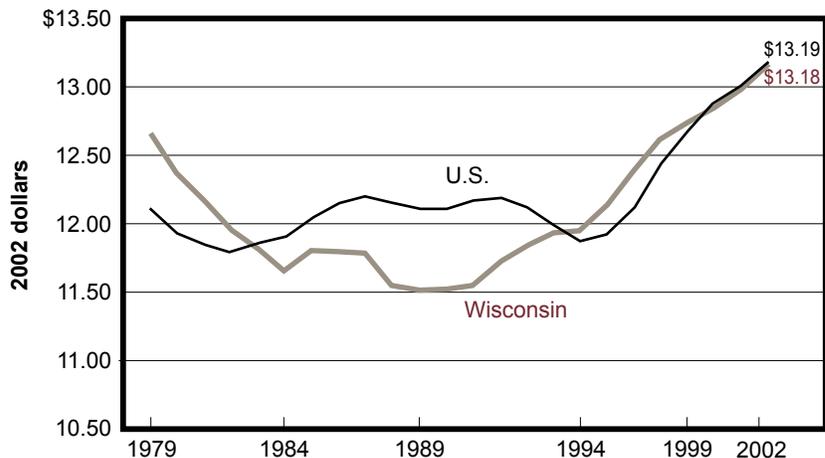
Source: EPI analysis of Current Employment Statistics data. Employment figures are available from the Bureau of Labor Statistics website at <http://data.bls.gov/labjava/outside.jsp?survey=sm>.

## Wages Stagnate for Those Who Held Onto Jobs

**T**he recession has taken its most dramatic toll in the unemployment and underemployment of working Wisconsin. But a second measure of the impact of this downturn is the continued stagnation of wages for the median worker in the state. (The median is the number at which half of workers fall above and half fall below.) Our 2002 median wage was \$13.18 per hour, providing a full-time, year-round worker with just over \$26,000 in annual income. The 2001 median wage (expressed in 2002 dollars, to account for inflation) was \$13.03 per hour. Over the year, the median worker saw just over a one percent increase in earnings. This wage stagnation shows a depressing comparison to the slow but steady increases of the late 1990s. (See figure.)

Our current median wage remains just slightly above the 1979 median wage of \$12.68 (in 2002 dollars), a benchmark only regained in 1999 after a two-decade dip. However, today's median wage only surpasses that of 1979 by \$0.50, translating into a tiny annual increase of roughly \$0.02. This is despite the fact that today's typical worker is much more educated than in 1979, works with better technology, and is thus more productive. Even so, that worker makes just slightly more than a generation ago.

Real Median Hourly Wages, Wisconsin and U.S., 1979-2002



Source: EPI analysis of Current Population Survey data.

## Conclusion

**D**espite the bad news confronting Wisconsin workers, there is cause for optimism. First, we can readily identify the key areas where improvements can and should be made. And second, we can point to models for action that are already making a difference for working people in our state. For example, we can:

- **Improve opportunities for workers to obtain good jobs.** In a number of high-growth industries in Wisconsin, employers are suffering from the inability to find qualified staff. By developing partnerships that link employers, workers, technical colleges, and Job Centers, we have helped connect workers to needed training so they can advance in the labor market. These partnerships include the Wisconsin Regional Training Partnership and the Milwaukee Jobs Initiative (both based in Milwaukee), and the Jobs With a Future Partnerships in South Central Wisconsin. For further discussion of worker advancement, see the COWS report *Honoring Work in Wisconsin: State Policies to Promote Self-Sufficiency for Working Families*, at [www.cows.org/pdf/jobs/honorwork/rp-honorwork.pdf](http://www.cows.org/pdf/jobs/honorwork/rp-honorwork.pdf).
- **Preserve our manufacturing base.** The loss of high-paying manufacturing jobs in recent decades is a major reason for the economic difficulties our state faces today. This loss is not inevitable, however. For example, COWS has been working with the Wisconsin Manufacturing Extension Partnership to identify strategies that allow component-parts suppliers to improve their competitiveness – and thereby keep this important sector from leaving the state. For additional information about this effort, see the COWS study *Challenges and Options for Wisconsin Component Manufacturing*, at [www.cows.org/pdf/econdev/amp/rp-wmep-03.pdf](http://www.cows.org/pdf/econdev/amp/rp-wmep-03.pdf).
- **Raise the wage floor.** Currently, the minimum wage in Wisconsin is the same as the federal minimum wage: just \$5.15 per hour. Even raising the minimum wage to \$6.80 per hour, as has been recently proposed, would restore much-needed purchasing power and improve the lot of more than 130,000 workers throughout the state. The increase would probably also push up wages for nearly 150,000 other low-income employees. A more detailed analysis is forthcoming from COWS.

