

# The State of Working Wisconsin 2004

## Executive Summary



Everyone is talking about the economy these days, but it is hard to really tell what it all means. Are there enough jobs? What jobs are being created, and what jobs are being lost? Do new jobs offer the wages and benefits that the old jobs did? And most important, how are working families in the Badger State doing? *The State of Working Wisconsin 2004* uses the best and most recent data available to draw a nuanced picture of the current economy and what it means for the working families of our state.



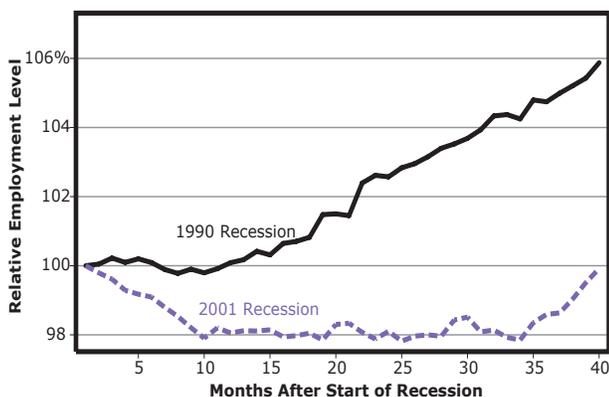
The picture that emerges from our research is decidedly mixed. On the positive side, it is clear that since January 2004, the Wisconsin job count is finally on the rise. Our critical manufacturing sector is finally adding jobs after two years of severe decline. Further, a number of Wisconsin's economic fundamentals remain quite strong: growth of Wisconsin per capita income exceeded the national pace, even after the 2001 recession; our labor force continues to grow and make gains in educational attainment; our labor force participation rate remains among the highest in the nation; and the median wage for workers in the state has grown faster than inflation for each of the last nine years.

But context is important when considering the shape of our job market. True, in 2004 the Wisconsin labor market has finally produced jobs. However, it has taken us three full years just to get back to the number of jobs we had in March 2001 when the recession began. Our labor force grew over those three years, so even though jobs are up, we have remained behind. In manufacturing, the new jobs created this year cannot begin to make up for the number of jobs lost over 2000–03. We remain fully ten percent behind our 2001 employment in manufacturing.

There are other negative signs on the horizon as well. While Wisconsin's workforce made gains in educational attainment over 1990–2003, our advance was far outstripped by national progress, especially considering those with four-year college degrees. While our median family income substantially exceeds the national median (the result of our high work effort), the new century has produced declines: Wisconsin family income actually fell in 2001 and 2002. And while poverty rates in the state remain below national levels, reflecting Wisconsin's strong history of income equality, inequalities are growing in Wisconsin. Black/white inequality, in particular, has exploded. Wisconsin is now, on several measures, the most unequal state in race terms in the nation.

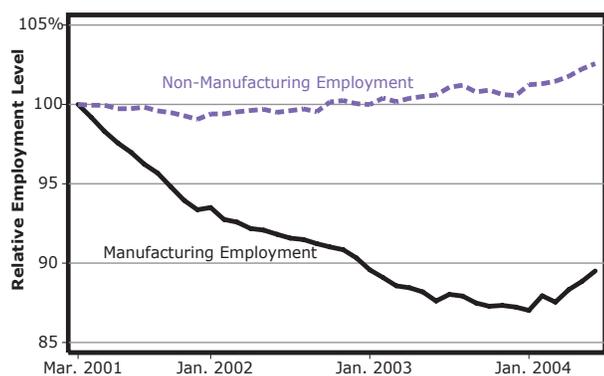
**The Center on Wisconsin Strategy**  
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### Wisconsin Employment in Two Recessions, Relative to Start



Source: U.S. Bureau of Labor Statistics.

### Wisconsin Employment Relative to Start of 2001 Recession



Source: U.S. Bureau of Labor Statistics.

## Key Findings

### 2001 Recession Casts a Long Shadow: Employment Flat and Job Quality Down

Much has been made of Wisconsin's employment gains in 2004. This new job growth is certainly welcome, especially in the hard-hit manufacturing sector. But perspective suggests how modest overall job growth has been. Current total employment is only equal to what it was in March 2001, when the recession began. That's more than three years with no net job growth, and compares badly to previous recoveries. By this point in recovery from the 1990 recession, we were six percent above where we had been at its start.

The story in manufacturing is particularly troubling. Manufacturing provides many of Wisconsin's best paying jobs, especially for workers without four-year college degrees. From March 2001 to January 2004, Wisconsin lost 75,000 manufacturing jobs, a decline of 14 percent. That hemorrhaging stopped this year, as Wisconsin manufacturing added back some 14,000 jobs over the first half of 2004. But that still leaves us ten percent below manufacturing employment levels in March 2001, and suggests a more permanent downward shift.

There is also the matter of job quality, starting with pay and benefit levels. While Wisconsin has recently added many new jobs, they tend to be in poorer paying industries with worse benefits than those jobs that were lost. Wisconsin economic sectors that have shrunk over the past three years, including manufacturing, pay \$7,200 more in average annual earnings than those sectors that have grown. Moreover, three-quarters of the jobs in contracting

industries have health insurance coverage, while less than half of those in expanding industries do.

## Family Incomes Down, Hours of Work Very High, Educational Attainment Lagging

Median family income in Wisconsin — that is, income of families at the exact middle of the family income distribution — has fallen over the past few years. Adjusted for inflation and expressed in 2003 dollars, four-person family median income fell from

\$71,274 to \$68,523 over 2000–02.

This still leaves Wisconsin family income some 6.8 percent above the national median of \$64,169, but this "Wisconsin advantage" owes only to the fact that we work long hours here. Wisconsin men have a labor force participation rate of 78 percent, compared to 73.5 percent among men nationally. And Wisconsin women have exceptional rates of labor force participation, 68 percent versus 59.5 percent nationally.

### Median Income for Four-Person Families, U.S., Wisconsin, and Peer States, 1980–2002

(in 2003 dollars)

	1980	1990	1995	2000	2001	2002	Total Growth 1980-2002
<b>United States</b>	<b>\$51,449</b>	<b>\$56,570</b>	<b>\$59,558</b>	<b>\$66,471</b>	<b>\$65,757</b>	<b>\$64,169</b>	<b>24.7%</b>
<b>Wisconsin</b>	<b>52,967</b>	<b>58,933</b>	<b>60,686</b>	<b>71,274</b>	<b>68,005</b>	<b>68,523</b>	<b>29.4</b>
Illinois	55,403	60,349	64,496	72,761	69,113	70,753	27.7
Indiana	50,838	54,180	56,894	66,312	66,064	64,466	26.8
Iowa	51,263	51,983	56,713	61,870	64,072	62,641	22.2
Michigan	53,584	59,428	63,475	73,427	71,014	69,553	29.8
Minnesota	53,694	58,726	65,202	75,363	75,481	74,037	37.9

Source: Economic Policy Institute.

## Labor Force Education, Wisconsin and U.S., 1990 and 2003

Education	Wisconsin		United States	
	1990	2003	1990	2003
Less than high school	10.5%	10.4%	14.3%	12.8%
High school	44.0	34.7	37.9	30.4
Some college	22.7	30.5	23.4	28.3
Bachelor's or higher	22.8	24.4	24.5	28.5

**Source:** Economic Policy Institute.

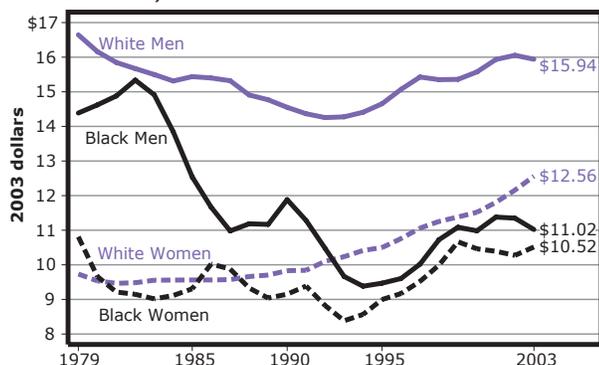
Given these higher Wisconsin rates of labor force participation, we should expect family income — which includes all wages earned in a family unit — to be substantially above national levels. What's surprising is how small Wisconsin's advantage is. Minnesota, another hardworking state with rates of labor force participation about equal to those in Wisconsin, has a median family income 15.4 percent above the national level, or about \$10,000 a year. This is better than twice the Wisconsin advantage.

Working longer hours also has natural limits, and provides no long-run solution to declining job quality. Wisconsin has an aging workforce. On current trends, labor market "exitors" will about equal labor market "entrants," and shrink the number of wage earners contributing to family incomes. Among more recent entrants, in particular young families with small children, the press of working longer hours creates a different sort of strain. Families with small children need time with their kids as well as income from work. But with job quality in broad decline, they feel they need to work longer hours, effectively choosing work over family.

Wisconsin thus will not be able to work much harder in the future than it does now; instead, it will have to work "smarter." But that will be made more difficult if Wisconsin educational attainment falls behind national levels, as it is doing now. The share of the Wisconsin workforce with four-year college degrees grew only from 22.8 to 24.4 percent over 1990-2003, while the national college-educated share of the workforce grew from 24.5 to 28.5 percent, or better than twice as fast.

## Wisconsin Median Hourly Wages by Sex and Race, 1979-2003

(in 2003 dollars)



**Source:** COWS Analysis, CPS.

## Median Wages Up Modestly, Inequality Up Dramatically

Despite this bad news, real (inflation-adjusted) median hourly wages in Wisconsin have risen throughout the past decade, and posted an increase of another five percent over 2000-03. After the long decline of the 1980s, this brought Wisconsin hourly wages one percent above the national wage median. By historical Wisconsin standards, however, this is a very slow rate of growth, essentially

continuing the wage stagnation of the past generation. Despite massive productivity increases over the past quarter century, Wisconsin median hourly wages today are only 89 cents above their 1979 level, when Wisconsin enjoyed a five-percent advantage over the national median wage. Otherwise expressed, our annual hourly wage growth since 1979 has been just four cents.

These very weak increases in median hourly wages, moreover, mask very different experiences across sex, race, and education.

## Wisconsin Median Hourly Wages by Sex and Education, 1979-2003

(in 2003 dollars)

	Median Hourly Wage				Percent Change 1979-2003
	1979	1989	2000	2003	
<b>Men</b>					
Less than high school	\$14.34	\$10.91	\$10.22	\$9.79	-31.8%
High school	16.45	14.11	13.10	14.04	-14.7
Some college	15.96	12.95	15.68	15.07	-5.6
Bachelor's or higher	18.97	20.09	22.39	23.50	23.8
<b>Women</b>					
Less than high school	8.63	7.18	8.33	8.31	-3.6
High school	9.31	9.09	10.53	10.88	16.9
Some college	9.94	9.43	11.15	11.96	20.4
Bachelor's or higher	13.11	15.74	18.57	18.61	42.0

**Source:** COWS Analysis, CPS.

White Wisconsin women have done the best over the last quarter century. Black Wisconsin women are down slightly from their wages of a generation ago. White Wisconsin men have seen mostly increases since the mid-1990s, but their wages have stagnated over the last few years and remain below median wage values of 1979. Black Wisconsin men have seen a dramatic drop in wages, with their median falling from more than \$15 per hour in the early 1980s to just over \$11 in 2003 (in 2003 dollars).

Only the most educated Wisconsin workers have posted significant gains. Wages of Wisconsin men with college degrees increased by almost 24 percent from 1979–2003; college-educated women did even better, posting a 40 percent wage increase over the period. By contrast, the vast majority of Wisconsin men, without four-year college degrees, saw dramatic wage declines. And the gains of non-college-educated women were just a fraction of the gains for four-year degree holders. Inequalities have thus increased, across sexes and across races, along educational lines.

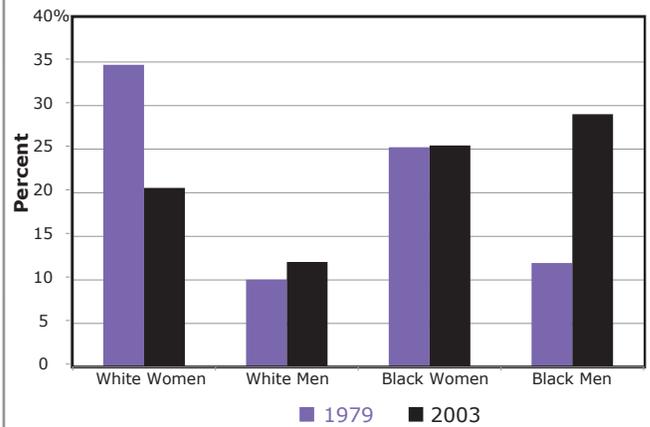
### Poverty-Wage Work a Serious Issue

Thousands of Wisconsin residents still do not earn even “poverty wages” — defined here as wages insufficient to lift a full-time (40 hours a week), year-round (52 weeks a year) worker to the poverty line for a family of four with two children. The share of Wisconsin jobs paying such wages has fluctuated over the past generation. In 1979, one in five jobs in Wisconsin paid poverty wages. By 1989, one in three did. As of 2003 we were back to the one-in-five 1979 share, with poverty-wage jobs accounting for 18.2 percent of all Wisconsin employment — or close to 600,000 Wisconsin jobs.

As the total number and share of poverty-wage jobs have varied, so has their distribution across major demographic groups.

- White women, while still far more likely than white men to occupy poverty-wage jobs, have seen significant improvement in their position. In 1979, 35 percent of white women occupied poverty-wage jobs; in 2003, the share fell to just 21 percent.
- As compared to a quarter century ago, however, no other major group has improved, and some are doing significantly worse. Among black men, the share in poverty-wage jobs nearly tripled over 1979–2003, rising from 11.9 to 29 percent. Among black women, the present share of 25.4 percent is effectively identical to what it was in 1979, but down from its high of more than 50 percent in the early 1990s. Among white men, the share is up significantly from a lower base, rising from ten to 12 percent since 1979. Over the past few years, both white and black men have seen increases, while women have seen declines.
- Again, differences in educational attainment tell much the same story, with greater impact over time. Nearly half of Wisconsin high school dropouts in the labor force earn poverty wages, compared with slightly over one quarter in 1979.

### Share of Wisconsin Workers Earning Poverty Wages, 1979–2003 (wages less than \$8.97 per hour in 2003)

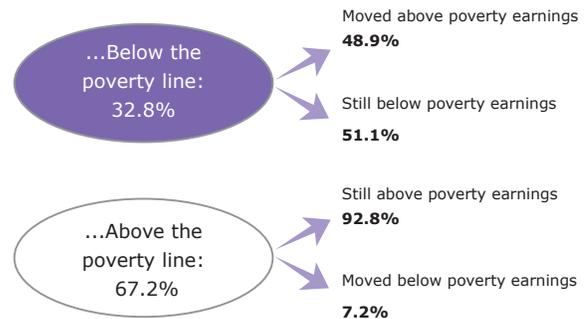


Source: COWS Analysis, CPS.

### 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.

## Sources and 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 data drawn from the CPS. 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.

**The State of Working America, 2004–05:** This report, by economists Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, 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 five-percent sample of wage records drawn from the Unemployment Insurance data files maintained by the State of Wisconsin, Department of Workforce Development.

**Defining Poverty:** In the 1960s, 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 2003, the poverty line was just \$18,660.

## Black/White Inequalities Among Worst in Nation

The black wage trends and the high share of black workers in poverty-wage jobs provide background for perhaps the most sobering story in this report: the shocking level of black/white inequality in Wisconsin. This is evident on a variety of measures.

### Poverty

- In 2000, black children in Wisconsin were six times more likely than white children to live in poverty — the highest black/white child poverty gap of all states (exceeded only by Washington, D.C.).
- While Wisconsin's family poverty rate was well below the national rate, the poverty rate for black families as a whole was 39 percent — the fourth highest in the country. The gap between white and black family poverty rates is the largest in the nation.
- In Milwaukee, nearly one-third of the city's black residents lived in poverty in 2000 — a rate seven times higher than for white residents of the same area. This racial disparity in poverty rates is double the national average, and larger than any other metropolitan area in the country.

### Unemployment

- The unemployment rate for blacks in Wisconsin in 2002 was 19 percent, four times higher than for whites, and far above the regional and national rates. Wisconsin's unemployment disparity is the worst in the nation.

### Education

- Wisconsin's graduation rate for black students starting high school in 1996 was only 41 percent — placing Wisconsin at the very bottom of all 31 states for which there were data. Wisconsin's white students graduated at more than twice this rate.
- Wisconsin produced the widest gap in scores between white and black eighth-graders on the national science test the last time it was administered (1996), and the largest gap in scores on eighth-grade math and reading tests of any state in the nation in 2003.

### Incarceration

- By 2001, despite our relatively small black population, the rate of black imprisonment in Wisconsin (4,058 inmates per 100,000 residents) was 11.6 times the white rate — the fifth biggest difference in the nation. We achieve this by incarcerating a larger share of our black population than any other state.

# Moving Wisconsin to the High Road

So how is working Wisconsin doing? Not very well, and certainly not well enough to sustain our distinctive quality of life and democratic culture. Family incomes and wages are not growing fast enough. We are losing many of our better jobs and gaining something worse. Most working families are on a treadmill of working longer and longer hours just to stay even. Prosperity is much less widely shared than in the past. Thousands are trapped in poverty-wage jobs. And we're confronting a genuine crisis in racial inequality in the state. While not pursued in this report, it does not help, of course, that the state is also in a prolonged fiscal crisis, with a tax system no longer able to support the public services we have come to expect.

We can do better. In general terms, as the Doyle administration's *Grow Wisconsin* plan has emphasized, we need to get Wisconsin off the path of "low-road" competition and onto the "high-road" alternative. That means competing on high skills rather than low wages, and product innovation and distinctiveness rather than low commodity price. It also means building on and raising our shared quality of life — good public services and infrastructure, a sound educational system, a beautiful physical environment, a broad middle class — rather than neglecting this "commons."

Making this high-road transition in Wisconsin will require action on many fronts. Here are some, highlighted by the findings of this report.

**Smart Investments in Manufacturing:** Wisconsin needs a manufacturing strategy, centered on supporting high-road firms that are willing to stay and grow here in high-value-added product markets. The most feasible strategy would be upgrading the supply chains that account for most manufacturing employment in the state. Since these chains cross states in the Upper Midwest, we should be looking for opportunities to implement regional manufacturing strategies, but we can also model intensive intervention with suppliers here.

**Targeted Investment in Training Incumbent Workers:** As this report shows, the link between educational attainment and a decent standard of living in Wisconsin is stronger than ever. High-road business also has a clear stake in a well-educated workforce. But training alone only creates jobs for the trainers. It needs to be connected to employer demand. So as we encourage employers to take the high road, we should be building systems to get clear information from employers on what additional training supports they need to get there. We have models for doing this — like the Wisconsin Regional Training Partnership in Southeastern Wisconsin and the Jobs With a Future Partnerships in South Central Wisconsin. They should be expanded and replicated throughout the state.

**Raising the Minimum Wage:** Still stuck at \$5.15 an hour, the minimum wage is well below its historic level (in today's dollars, it was better than \$8 an hour a generation ago), and not nearly enough to keep families out of poverty. The Governor's Minimum Wage Advisory Council got virtual unanimity on raising our state minimum wage to \$6.50. This would be a simple step to take to lift some of Wisconsin's working poor out of poverty.

**Rebuild Milwaukee:** Perhaps the most sobering story from this report is the vast inequality between black and white residents of the state, in every area from educational attainment to unemployment, and poverty to incarceration. Milwaukee, the home of most of Wisconsin's black population, is the natural site for a major jobs, training, and "books not jails" state effort. While we're at it, we should explore the example now being set by other states, and get more serious about drug treatment as an alternative to incarceration.

## Acknowledgments

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The Center on Wisconsin Strategy (COWS), based at the University of Wisconsin-Madison, is a research center and laboratory for progressive state and local policy.

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