

The State of
**Working
Wisconsin**
Update 2005

September 2005

Center on Wisconsin Strategy

About COWS

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.

University of Wisconsin-Madison
1180 Observatory Drive, Room 7122|
Madison, WI 53706

TEL: 608-263-3889

FAX: 608-262-9046

E-MAIL: cows-info@cows.org

WEBSITE: www.cows.org

COWS staff are available to present the findings of *The State of Working Wisconsin* to your organization. For more information contact Laura Dresser, ldresser@cows.org.

The State of Working Wisconsin, Update 2005

The State of Working Wisconsin

The State of Working Wisconsin, produced by the Center on Wisconsin Strategy is a bi-annual report providing a thorough review of jobs, wages, poverty, income, and job quality in the state. Our 2004 report is available at www.cows.org.

This *Update 2005* provides new data and identifies key emerging trends from these data.

We thank the Economic Policy Institute (EPI), a non-partisan research institute in Washington, D.C. for their generous support of this project.

Labor Day 2005: An opportunity to take stock of our state's economy, and how Wisconsin's working families are faring in it. *The State of Working Wisconsin, Update 2005* provides recently released data on wages, jobs, and income. Though less comprehensive than our bi-annual report, *The State of Working Wisconsin*, this report continues to document promising and problematic trends for the state.

The news that emerges from the most recent data on Wisconsin's economy is decidedly mixed. On the positive side, Wisconsin posted job growth in 2004 and continues to do so in 2005. In fact, Wisconsin is among the stronger states in our region in terms of job growth since the end of the 2001 recession. Stronger job growth has helped reduce unemployment in the state as well. In 2002, Wisconsin's unemployment matched the Midwest's regional rate of 5.5 percent. Unemployment in Wisconsin fell to 5.0 percent in 2004, even as it rose to 5.7 in the Midwest region as a whole. This Labor Day, Wisconsin workers can appreciate that the state is generating jobs.

The picture in terms of wages and income is less promising. On the negative side, in the last year, the real (inflation adjusted) wage for the state's median worker fell slightly, bringing to an end nine consecutive years of growth in this key indicator. Median household income in the state is also down, and well off the high it reached at the start of the millennium. More positively, on June 1, 2005, minimum wage workers in the state got a raise to \$5.70 per hour from the previous \$5.15. That, too, can be celebrated by working Wisconsin.

What does the picture look like if we step back and consider shifts in work and wages over the last generation, rather than just the last year? Here the picture is more discouraging. Correcting for inflation, the state's median wage is just \$0.68 more per hour than it was 25 years ago. Over the same period, both productivity (which measures how much each worker produces per hour of work) and the education of the workforce grew dramatically. The median worker has seen only pennies per year as a reward for that increasing productivity and skill.

In addition to wages, benefits are also in serious decline. Perhaps most important is employer-provided health care. Wisconsin has always held a relative advantage in employer-provision of health care, but both nationally and in the state, this benefit is declining.

Source Notes

Employment figures are from an Economic Policy Institute (EPI) analysis of Current Employment Statistics data. Wage, unemployment, and underemployment figures are from EPI analyses of Current Population Survey (CPS) data. Productivity data are from the Bureau of Labor Statistics. Poverty rates and median household incomes are from the U.S. Census Bureau. Health insurance provision data are from an EPI analysis of CPS Annual Demographic Survey data. Historical minimum wage data are from the U.S. Department of Labor.

Findings

The Wisconsin Jobs Picture

1. Jobs growing, with construction and education and health services leading.

Table 1 shows job trends by industry for Wisconsin and the U.S. between March 2003 and March 2005. Wisconsin's total job count grew by nearly 50,000 over that two year period, an increase of 1.8 percent. Especially strong growth was posted in construction (employment up 8 percent) and education and health services (up 6 percent). Wisconsin's growth in these two relatively high wage sectors exceeds the respective national growth rates. However, non-durable manufacturing and government both shed jobs over same the two year period.

Nationally, job growth of 2.4 percent exceeds Wisconsin's 1.8 percent increase. In the region, however, Wisconsin's job growth compares favorably with neighboring states. In fact, since the end of the recession, three peer states — Ohio, Illinois, and Michigan — have actually lost jobs. Minnesota and Iowa have experienced job growth roughly similar to Wisconsin, and Indiana's job growth actually exceeds national trends.

Table 1

Employment by Industry in Wisconsin and the United States, March 2003 and March 2005

(numbers in thousands)

| | <i>Wisconsin</i> | | | | <i>United States</i> | | | |
|------------------------------------|-------------------|-------------------|---------------|----------------|----------------------|-------------------|---------------|----------------|
| | <i>March 2003</i> | <i>March 2005</i> | <i>Change</i> | | <i>March 2003</i> | <i>March 2005</i> | <i>Change</i> | |
| | | | <i>Number</i> | <i>Percent</i> | | | <i>Number</i> | <i>Percent</i> |
| Natural Resources and Mining | 3.2 | 3.1 | -0.1 | -3.1 % | 556 | 604 | 48 | 8.6 % |
| Construction | 106.6 | 115.4 | 8.8 | 8.3 | 6,319 | 6,803 | 484 | 7.7 |
| Manufacturing | 504.2 | 500.9 | -3.3 | -0.7 | 14,654 | 14,247 | -407 | -2.8 |
| Durable Goods | 311.6 | 312.7 | 1.1 | 0.4 | 9,066 | 8,927 | -139 | -1.5 |
| Non Durable Goods | 192.6 | 188.2 | -4.4 | -2.3 | 5,588 | 5,320 | -268 | -4.8 |
| Wholesale Trade | 111.3 | 114.3 | 3.0 | 2.7 | 5,598 | 5,674 | 76 | 1.4 |
| Retail Trade | 307.2 | 307.7 | 0.5 | 0.2 | 14,648 | 14,877 | 229 | 1.6 |
| Transportation and Utilities | 103.3 | 106.0 | 2.7 | 2.6 | 4,747 | 4,877 | 130 | 2.7 |
| Information | 50.1 | 50.9 | 0.8 | 1.6 | 3,214 | 3,120 | -94 | -2.9 |
| Financial Activities | 155.0 | 157.4 | 2.4 | 1.5 | 7,910 | 8,131 | 221 | 2.8 |
| Professional and Business Services | 238.3 | 242.6 | 4.3 | 1.8 | 15,700 | 16,604 | 904 | 5.8 |
| Education and Health Services | 361.9 | 384.0 | 22.1 | 6.1 | 16,632 | 17,360 | 728 | 4.4 |
| Leisure and Hospitality | 226.6 | 236.6 | 10.0 | 4.4 | 11,769 | 12,321 | 552 | 4.7 |
| Other Services | 132.7 | 135.2 | 2.5 | 1.9 | 5,383 | 5,441 | 58 | 1.1 |
| Government | 426.2 | 422.0 | -4.2 | -1.0 | 22,017 | 22,138 | 121 | 0.5 |
| Total Nonfarm Employment | 2,726.6 | 2,776.1 | 49.5 | 1.8 | 129,148 | 132,196 | 3,048 | 2.4 |

2. Bucking regional trend, unemployment has fallen in Wisconsin, but disturbing disparities continue.

Responding positively to the growth in jobs, unemployment in Wisconsin fell modestly in the recent past. Table 2 shows that Wisconsin unemployment fell from 5.5 to 5.0 percent over 2002–04. The state’s most recent rate, for June 2005, is a bit lower, 4.8 percent. Wisconsin’s unemployment is now below the national rate. Perhaps more important, Wisconsin’s unemployment fell even as unemployment in the Midwest region grew.

Table 2 also provides information on the demographics of unemployment in the state, region, and nation. One positive trend for Wisconsin is the decline in the unemployment rate for workers with less than high school education, down to 12 percent from 15 percent in 2002. The decline is good news, but the level of unemployment for this group — with more than 1 in 10 seeking employment — remains a challenge.

The breakdown of unemployment by race and ethnicity highlights another of the state’s challenges. African-American unemployment is 16.4 percent, a rate four times higher than the white unemployment rate in the state (4.2 percent). In this, as in many measures of racial inequality, Wisconsin posts worse data than the Midwest region. Not only is the black rate of unemployment in the Midwest, 13.4 percent, lower than Wisconsin’s rate, it is also substantially closer to the region’s white unemployment rate (4.8 percent). So while Wisconsin blacks are four times more likely to be unemployed than the state’s whites, in the region, blacks are less than three times as likely.

Black/White Inequalities Among Worst in Nation

Unemployment data show strong black/white disparity in the state. *The State of Working Wisconsin, 2004* identified a series of indicators where Wisconsin posts shocking levels of racial disparity, often among the worst in the nation. Indicators showing strong disparity include poverty, unemployment, education, and incarceration.

In July of this year, an online journal, *The Black Commentator*, named Wisconsin the worst state in the nation for blacks.

Table 2

Unemployment Rates in Wisconsin, the Midwest, and the U.S., 2002 and 2004

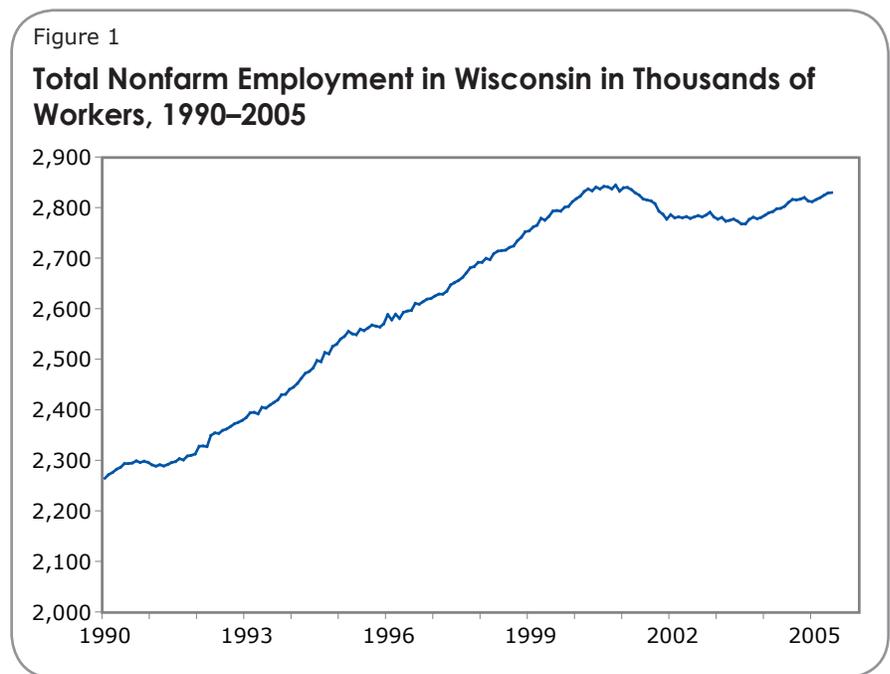
| | Wisconsin | | | Midwest Region | | | United States | | |
|-------------------------|-----------|-------|--------|----------------|-------|--------|---------------|-------|--------|
| | 2002 | 2004 | Change | 2002 | 2004 | Change | 2002 | 2004 | Change |
| All | 5.5 % | 5.0 % | -0.5 | 5.5 % | 5.7 % | 0.2 | 5.8 % | 5.5 % | -0.3 |
| Gender | | | | | | | | | |
| Male | 6.4 | 5.6 | -0.9 | 5.9 | 5.9 | * | 5.9 | 5.6 | -0.3 |
| Female | 4.4 | 4.4 | * | 5.1 | 5.5 | 0.4 | 5.6 | 5.4 | -0.2 |
| Race / Ethnicity | | | | | | | | | |
| White | 4.9 | 4.2 | -0.7 | 4.7 | 4.8 | * | 4.7 | 4.5 | -0.2 |
| African-American | 19.0 | 16.4 | * | 11.8 | 13.4 | 1.6 | 10.2 | 10.4 | * |
| Hispanic | * | 10.3 | * | 7.8 | 7.6 | * | 7.5 | 7.0 | -0.6 |
| Asian/Pacific islander | * | * | * | 5.9 | 4.6 | -1.3 | 5.9 | 4.4 | -1.5 |
| Education | | | | | | | | | |
| Less than high school | 15.1 | 11.8 | -3.3 | 12.9 | 13.7 | 0.8 | 11.7 | 11.8 | * |
| High school | 5.8 | 5.6 | * | 6.2 | 6.5 | 0.3 | 6.4 | 6.1 | -0.3 |
| Some college | 4.6 | 4.3 | * | 4.6 | 4.7 | * | 5.1 | 4.8 | -0.2 |
| Bachelor’s or higher | 1.7 | 2.4 | 0.6 | 2.6 | 2.9 | 0.3 | 3.0 | 2.9 | -0.2 |

*insufficient sample size.

The national ratio is closer to two times. As with so many key economic and social indicators, Wisconsin's blacks suffer some of the worst inequality in the nation.

3. Job growth is weak by historical standards.

While the job count and unemployment data offer some evidence of relative strength in Wisconsin, the long term jobs picture is less positive. As Figure 1 shows, Wisconsin shed jobs during the 2001 recession and has only recently recovered to pre-recession job levels. Specifically, the state had roughly 2.8 million jobs in mid-2000, and about the same number of jobs in June 2005, five years later. During these five years, the population and potential labor force both continued growing. The contrast between the situation today and that of the 1990s is stark. Over the 1990s, total employment grew significantly each year, from a base of 2.3 million jobs at the start of the decade to 2.8 million by its end.

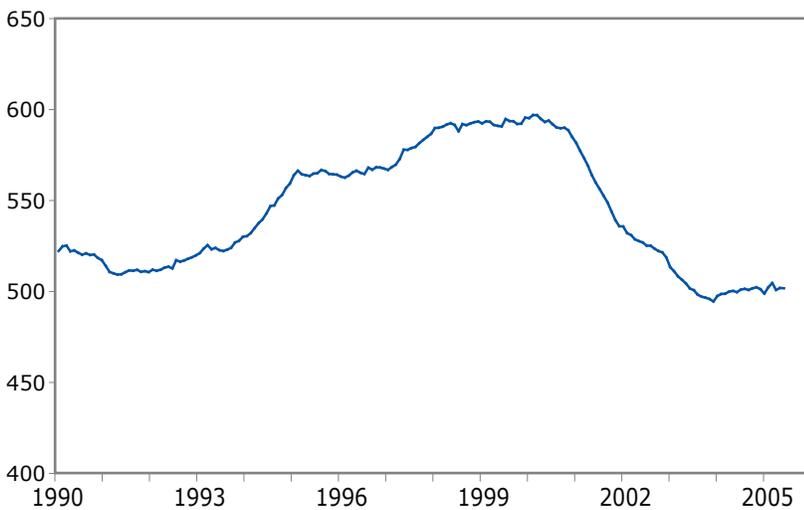


4. Manufacturing employment is holding steady, but still well behind 2000 level.

Figure 2 provides the long-term view of Wisconsin's critical manufacturing job base. Here, again, the trend is positive relative to regional standards; many states have continued losing substantial numbers of manufacturing jobs in recent years. However, the long-term decline in manufacturing in the state is substantial, and particularly troubling. Manufacturing provides many of Wisconsin's best paying jobs, especially for workers without four-year college degrees. Our manufacturing job base is now below its level of more than 15 years ago. While the recent additions in the sector are welcome, their pace suggests that the sector has not yet entered a strong recovery.

Figure 2

Manufacturing Employment in Wisconsin in Thousands of Workers, 1990–2005



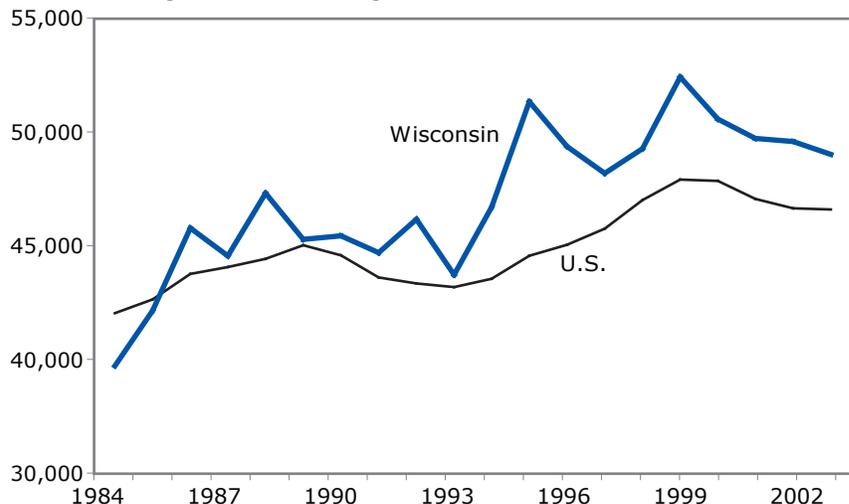
Wisconsin Household Income, Wages and Benefits

1. Wisconsin real median household income is now \$47,513 per year, having fallen each year since 1999.

Median household income in Wisconsin — that is, income of the household at the exact middle of the income distribution — has fallen over the past few years. Adjusted for inflation and expressed in 2004 dollars, median household income fell from \$51,764 in 1999 to \$47,513 in 2003. This still leaves Wisconsin median income some 6.8 percent above the national median of \$44,482, but this “Wisconsin advantage” owes in large part to the long hours of work and high labor force participation here.

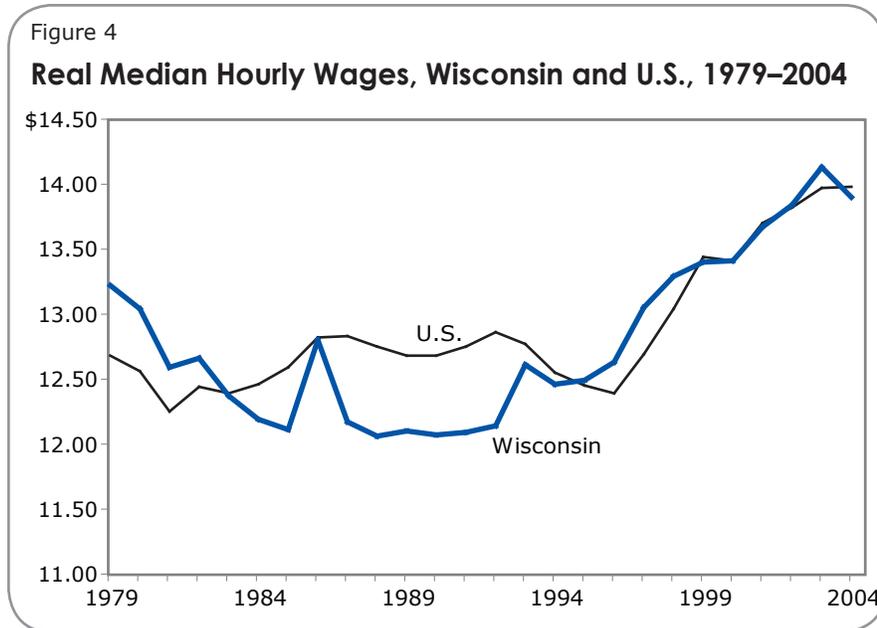
Figure 3

Real Median Household Incomes, Wisconsin and U.S., 1984–2003 (in 2004 dollars)



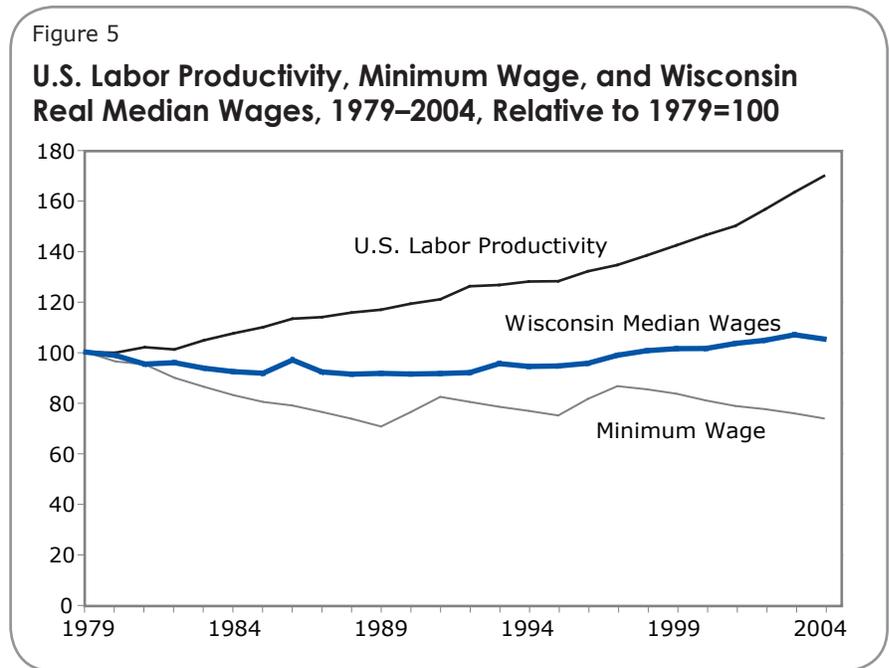
2. Wisconsin's median wage fell slightly over 2003–04 and now is just 68 cents per hour above its 1979 level.

Figure 4 shows that after nine consecutive years of real median wage growth, the 2004 median wage is slightly below the 2003 level. The median wage of workers in Wisconsin has hovered close to the national median since the mid-1990s, when the state finally made up for the relative wage deficit that emerged in the 1980s. The real median wage of a worker in Wisconsin is less than a dollar more than the real median wage of a quarter century ago.



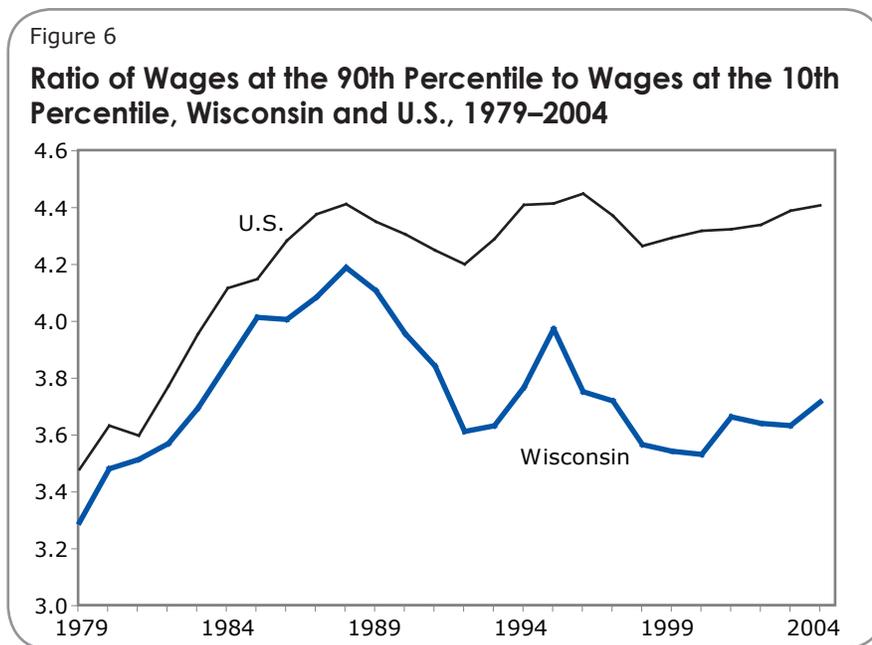
3. Median wages, in the state and the nation, lag far behind productivity growth.

Real median wages are finally above their 1979 level, but Figure 5 provides some perspective on the divergence between productivity and workers' pay. The figure sets 1979 values as 100 percent, and shows all changes over time as real increases or declines in percentage terms from 1979 values (all trends corrected for inflation). Over the period shown here, U.S. productivity — which measures output per worker — grew by 70 percent. In the same time, median wages grew by just 5 percent, and the real value of the minimum wage fell. If the median Wisconsin worker experienced wage increases that mirrored the productivity increases of this period (a pattern which was common in the U.S. until the 1970s), the Wisconsin median wage would now be over \$22.00 per hour, rather than \$13.91.



4. Wisconsin wages are more equal than national wages.

Figure 6 depicts trends in wage inequality in the state and nation, showing Wisconsin's stronger tradition of equality in the labor market. The figure shows the ratio between wages at the 90th percentile (wages earned by workers that have only ten percent of workers earning more than them) to wages at the 10th percentile (earned by workers who have only ten percent of workers earning *less* than them). The higher this ratio, the more unequal the wage distribution. Wisconsin posts uniformly lower inequality than the nation. Further, while inequality — which boomed both in the state and nation in the 1980s — appears to have been flat or growing slightly for the nation over the last 15 years, Wisconsin's inequality fell in the 1990s and appears to be flat in recent years.

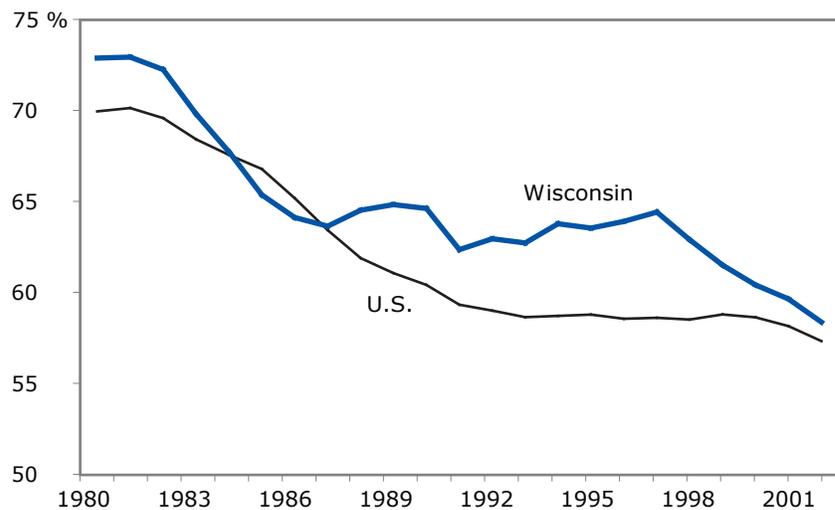


5. Employer-provided health care is in significant decline.

Our nation's health care system is showing significant strains. Provision of coverage and cost are core problems for the system. One clear indicator of these problems is the declining share of private sector workers that have employer-provided health insurance. Figure 7 shows the trends in employer-based health care coverage for private sector workers over 1980-2002. The trend could not be more obvious. At the beginning of the period, fully 73 percent of Wisconsin private sector workers secured employer-provided health insurance. The share dropped to 58.4 percent in 2002. Throughout the period, Wisconsin shows stronger health care infrastructure, consistently posting a share of workers obtaining employer-provided insurance higher than the respective national level. But both nationally and in Wisconsin, the decline in employer-provided health insurance is yet another clear signal of the problems in our health care system, and the need to develop solutions that extend coverage and lower costs for working Wisconsin.

Figure 7

Share of Private-Sector Workers With Employer-Provided Health Insurance, 1980–2002



Note: the data shown here are averages across three years. The horizontal axis shows the year in the middle of each three-year period.

Conclusion

On this Labor Day, working Wisconsin has some real progress to celebrate: the increase in the minimum wage, the positive (if inadequate) growth in jobs, and our continuing relatively equal wage distribution. Even so, working Wisconsin is not doing well enough to sustain our distinctive quality of life and democratic culture. The number of jobs is not growing fast enough. Wages and incomes are stagnant or falling. Many working families are on a treadmill of working longer and longer hours just to stay even. The state is confronting a genuine crisis in racial inequality.

We can do better. Our minimum wage increase and continuing emphasis on growing our high-road economy (as the Governor's Grow Wisconsin plan emphasizes) show that state policies can help move Wisconsin in the right direction. Further attention to building a high-road economy in the state, and building systems that support workers and firms in the transition to the high road are important priorities for the future.

Center on Wisconsin Strategy

University of Wisconsin-Madison
1180 Observatory Drive
Room 7122
Madison, WI 53706

TEL: 608.263.3889

FAX: 608.262.9046

E-MAIL: cows-info@cows.org

WEBSITE: www.cows.org