

# WISCONSIN'S JOBS

## DON'T CREDIT (OR BLAME) WALKER WHERE HE HAS NO REAL INFLUENCE

June 2011

As COWS has documented each month in *Wisconsin Job Watch* ([www.cows.org/jobwatch](http://www.cows.org/jobwatch)), the Great Recession that began in December 2007, and was catastrophically deepened by the financial crisis that exploded in September 2008, has had a devastating effect on the Wisconsin economy. Nowhere is that more evident than in the lives of the 224,000 Wisconsinites who are currently unemployed.

The National Bureau of Economic Research dates the beginning of the recovery of the U.S. economy to June 2009, nearly two years ago. But until the first quarter of 2011, the recovery had produced negligible job growth. At their respective lowest points in the recession, the U.S. had lost 6.3 percent of its pre-recession jobs base and Wisconsin had lost 5.7 percent. Since then, the U.S. has added 1.59 million jobs, or 1.3 percent of its previous base. Wisconsin has added 38,600 jobs, an identical 1.3 percent of its previous base. The national economy is still millions of jobs short of where it was in December 2007, which was already bad enough to fuel deep discontent with the Bush administration. Here in Wisconsin, taking subsequent population growth into account, we would need to add more than 270,000 jobs just to get back to where we were before the recession.

Jobs numbers for the U.S. and Wisconsin track each other so closely for a reason. Wisconsin is part of a national economy, with a state economy broadly representative of the national one. We are the most manufacturing-centered state in the nation, so are particularly susceptible to international competitive pressures. But basically, as the national economy goes up and down, so does Wisconsin's.

It's customary and expected that governors get the blame or credit for the overall jobs numbers in their state. But in truth, they shouldn't get either. Those overall numbers are almost entirely driven by two things – the level of total domestic demand and the exchange rate of the dollar – and no governor controls either. What governors can influence, and can be fairly judged by, is the number and quality of public-sector jobs in their states, and the quality, if not the overall number, of private-sector ones.

It's in this context that we may consider Governor Walker's campaign promise to "create" 250,000 jobs during his first term. The Governor's press office regularly touts his alleged progress toward this goal. The Wisconsin media and most of the "chattering class" of political pundits, both left and right, have adopted the 250,000 jobs number as the measure of his economic success. People also seem impressed with the number itself, which seems daringly ambitious.

But this response is wrong. "250,000 jobs" is not a particularly important or impressive number. Whether it's reached or not will certainly not be decided by the Governor. And focusing on it distracts attention from the places where he really does have power, and can be reasonably judged – for the broad negative effect on the economy that his policies have already had.

### About COWS

COWS is a nonprofit think-and-do tank, based at the University of Wisconsin-Madison, that promotes "high road" solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

For more information, visit [www.cows.org](http://www.cows.org).

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#### WISCONSIN JOB WATCH

A monthly snapshot of the effects of the recession on Wisconsin's jobs.

[www.cows.org/jobwatch](http://www.cows.org/jobwatch)

## IS 250,000 JOBS ENOUGH?

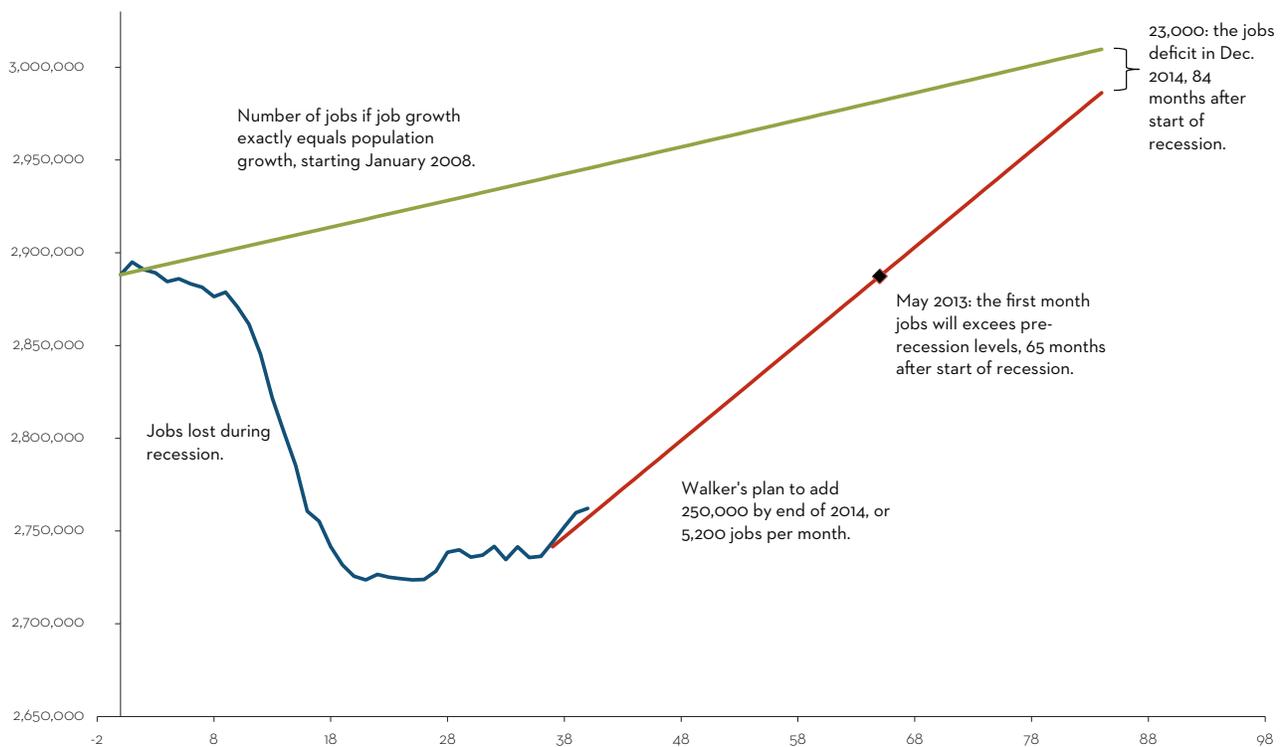
Many are impressed with the 250,000 jobs number. Should they be?

Well, it is certainly a lot of jobs. But let's keep it in perspective. Population has grown by about 2 percent since the beginning of the recession. To get employment back to its pre-recession level, we would need to create more than 270,000 jobs. 250,000 would get us close to that, but not the whole way. (See Figure 1.) It's not a very ambitious goal. And any ordinary recovery, like that of the 1990s, would easily exceed 250,000 jobs on its own.

Figure 1

### CONTEXT ON GOVERNOR WALKER'S JOBS GOAL:

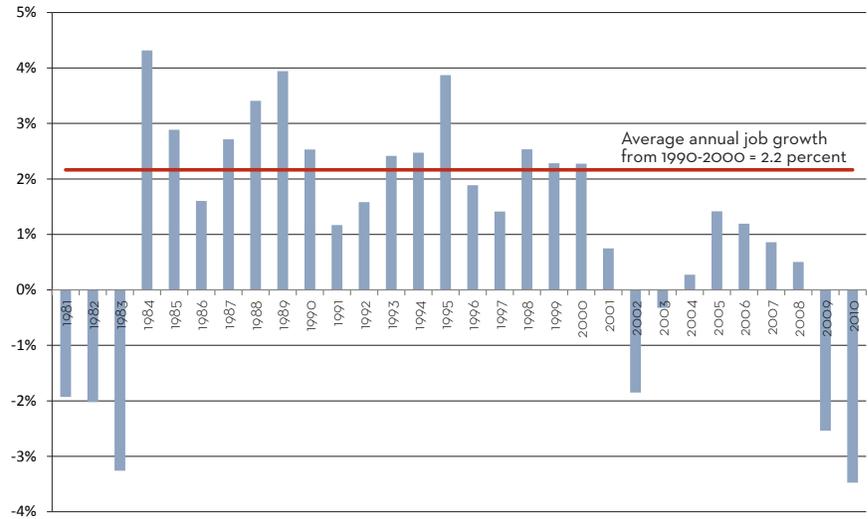
**CONSIDERING POPULATION GROWTH, 250,000 JOBS OVER THE TERM WOULD ACTUALLY LEAVE THE STATE LABOR MARKET SLIGHTLY SHORT OF 2007 LEVELS.**



To meet the 250,000 jobs goal requires an average annual gain of 62,500 jobs per year for four years. This is 2.2 percent of the Wisconsin workforce in December 2007, right before the economy began its decline.<sup>1</sup> Figure 2 suggests that if Wisconsin still had the economy of the 1990s, adding an average 2.2 percent of the workforce per year would be achievable. In fact, it would be par for the course: the average annual growth of Wisconsin jobs from 1990-2000 was exactly 2.2 percent of the workforce (the horizontal line in Figure 2 shows 2.2 percent). However, since the year 2000, Wisconsin's economy – like the national economy – has added far fewer jobs on average.

While the current quarter has offered good news on the jobs front, recent data on jobs and other economic measures at the national level suggest that the road ahead may be quite rocky. Indeed the Wisconsin Department of Revenue is currently projecting the creation of just 183,400 jobs through 2014, which leaves Wisconsin short of Governor Walker's goal. Gaining 250,000 jobs is possible, but only if we stay on the trajectory of the last four months. Unfortunately, the disappointing national jobs numbers in May diminish the prospects of growth at the current rate in coming months.

**Figure 2**  
**GENERATING 250,000 JOBS REQUIRES 2.2 PERCENT INCREASE IN JOBS ANNUALLY: HIGHER RATES OF JOB MARKET GROWTH WERE COMMON IN THE LATE 1980S AND THE 1990S.**



Note: Annual change calculated December to December using seasonally adjusted data.

### For More Information

#### WISCONSIN'S ECONOMIC OUTLOOK

In this report, the Wisconsin Department of Revenue actually projects job market growth short of the Governor's goal. Like many analyses of the U.S. economy, the state's own projections continue to be of relatively weak growth.

[www.revenue.wi.gov/ra/econ/2011/spring/fullrpt.pdf](http://www.revenue.wi.gov/ra/econ/2011/spring/fullrpt.pdf)

<sup>1</sup> We take 62,500 as a percent of the pre-recession workforce to be conservative. This number is lower than if we took 2.2 percent of the current workforce, and it gives the Governor a lower bar to pass when making historical comparisons.

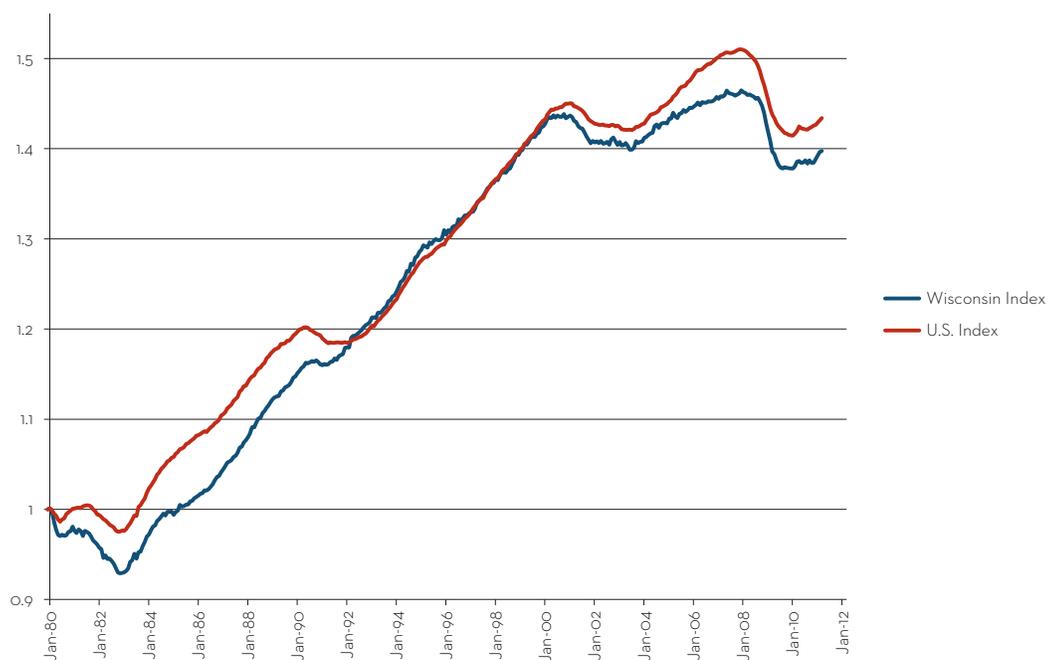
## IF WE DO ADD 250,000 JOBS, SHOULD THE GOVERNOR GET CREDIT FOR IT?

No. Just because a politician proclaims a jobs goal does not mean that every job added is somehow attributable to that proclamation. All Wisconsinites will cheer as the labor market improves, and we all hope that the state will start generating jobs at a significant pace. Workers across the state need that. But while governors often ride on their “jobs records,” in truth, they have very little effect on overall job growth. The state job market is a subset of the national job market. As the national economy begins to generate jobs, so will Wisconsin.

Indeed, just look at how Wisconsin’s job picture mirrors the national picture in Figures 3, 4 and 5. These figures show that Wisconsin’s change in jobs closely mirrors national trends. True, we sometimes deviate. It is clear that we lost some ground in the late 1990s, and that gap grew larger across the last decade. The point, however, is how closely the trend in Wisconsin’s jobs picture follows that of the United States. The bottom line is that states don’t control their own economies. Indeed, given the dramatic increases in multi-national firms, even countries cannot control the destiny of their economies the way they once did. Any governor who presumes that the overall jobs base is directly in his or her control does not really understand the limits of his or her power.

Figure 3 shows the trend in long-term jobs growth in the U.S. and Wisconsin since 1980. The actual jobs numbers are set equal to 1 at 1980 so that the trend, not the actual number of jobs, is directly comparable. Recessions appear as steep declines. Figure 3 shows how Wisconsin and national jobs changes are very similar, but not exactly the same. Wisconsin’s early 1980s recession job losses were more severe than the national average, while the 1990s recession was much less severe in Wisconsin. Starting in 1992, Wisconsin’s labor market grew almost in lock-step with the national economy. Towards the late 1990s, a gap began opening between the two trends leaving Wisconsin further behind. Finally, Figure 3 shows that the magnitude of the 2007-2009 recession which dwarfed all the declines of the last 30 years.

*Figure 3*  
**JOBS IN U.S. AND WISCONSIN INDEXED: JANUARY 1980=1**

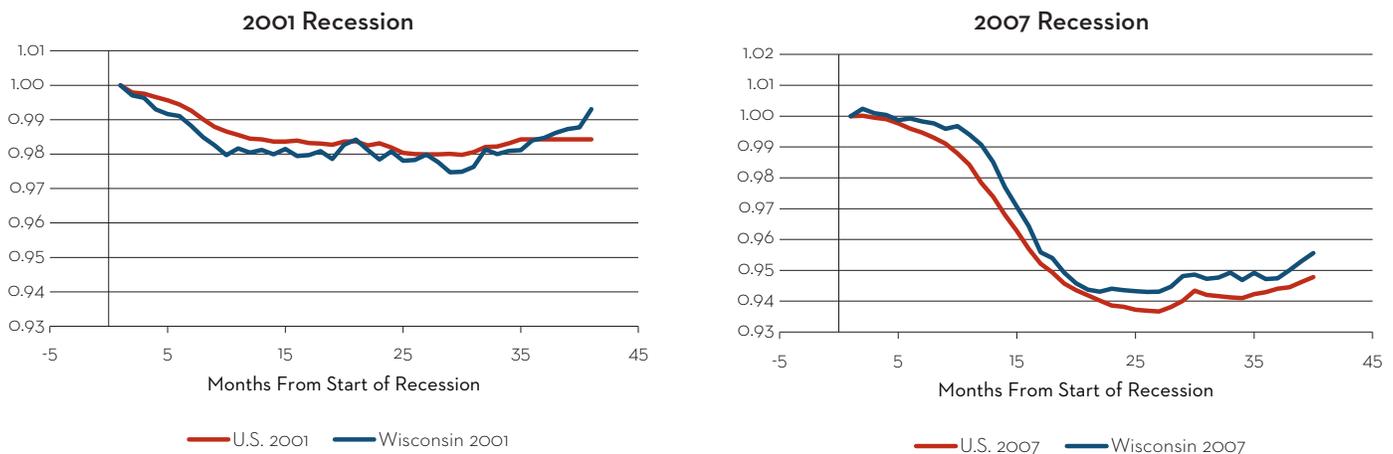


Figures 4 and 5 are also comparisons of Wisconsin and the U.S. jobs trends, but they focus on the jobs base during the last two recessions. Again, the trend in Wisconsin's economy closely mirrors the national average. But since Wisconsin's economy is smaller, it can shrink or grow more quickly, and therefore fluctuates more around the national trend.

The bottom line? The Wisconsin jobs base responds to the national economy, and our jobs base follows national trends. To suggest that a few billboards, a knockdown fight with unions, and ribbon cuttings at economic development projects that were already underway under the previous governor has "turned the Wisconsin economy around" is to misunderstand labor and capital markets, and the power and influence of state elected officials over them.

Figures 4 and 5

#### JOBS IN U.S. AND WISCONSIN INDEXED: 2001 AND 2007 RECESSIONS



## WHAT'S PUTTING WISCONSIN SLIGHTLY AHEAD OF THE NATIONAL TREND?

While Wisconsin's and national trends are quite similar, they are not exactly the same. Indeed, our path in the recovery is slightly better than the national trend. Could this difference be credited to the Governor? Again, no. Wisconsin's success is largely due to the strength and diversity of Wisconsin's manufacturing base. Wisconsin consistently vies with Indiana for the Number One position in manufacturing in the nation (measured in terms of the share of the workforce employed in manufacturing jobs). Manufacturing, though suffering brutally over the course of the recession, is now one of the drivers of the national recovery. When manufacturing does well, Wisconsin does well.

In the last year, almost 70 percent of the jobs gained in Wisconsin have been in the manufacturing sector. In Indiana, all the jobs gained in the last year can be accounted for in the manufacturing sector, although Indiana gained far fewer jobs in that period than Wisconsin. In Michigan, nearly 40 percent of the jobs gained were in manufacturing. States with large manufacturing bases have the most to gain in a manufacturing-driven recovery.

## WHERE CAN A GOVERNOR HAVE THE GREATEST EFFECT ON JOBS?

A governor's hand is not particularly strong when it comes to the overall number of jobs. However, a governor and state policy do have influence on the quality of jobs. Governors control the state infrastructure devoted to enforcing labor standards for workers throughout the economy. Further, governors have a hand in controlling the quality of the jobs for public-sector workers. Just how strong a hand they can have has been proven over the last months in Wisconsin.

So, while talking about making private-sector job development a priority, the governor has delivered an 8 percent wage cut to the 380,000 jobs that he can control. That's less money for public employees. And that's also less money in our communities. Less money for store owners and farmers markets, for restaurants and housing. A recent study<sup>2</sup> suggests that these wage concessions will cost the state of Wisconsin about 22,000 additional jobs, because families that rely on the income from their public-sector jobs will have less to spend in their local communities. The businesses that rely on consumers don't really care if the dollar being spent in their business is coming out of a state paycheck or a private-sector paycheck, they just want to have customers. And reducing the income of state workers shrinks the private economy just as surely as investing federal dollars in transit would have increased jobs in the private sector.

Beyond the shift in living standards of public-sector workers, there are a few other negative signs in terms of job quality on the horizon. In the last few weeks, the Joint Finance Committee has amended the Budget Bill to reduce the strength of prevailing wage law in the state, to require unemployed residents to wait a week to receive benefits, and to reduce the access of part-time public-sector workers to pension benefits. (See text box below.)

Further, the governor is proposing to cut many of the programs that low-wage workers rely on to make ends meet. These programs – like Badger Care and Wisconsin Shares (to help parents' afford child care) – provide critical support to some of the state's most low-paid workers. Reducing their benefits will decrease their ability to contribute to local economies as well.

### Undermining Job Quality in Wisconsin

Legislation such as the "Budget Repair Bill" and the Wisconsin Budget have received a lot of press attention for attacking public sector workers' benefits and unions, and for cuts to education, social services, and support for poor families even while giving the rich tax breaks. But there have been other items on the legislative agenda passed in amendments to the budget bill that have received far less attention and also undermine job quality in the state.

- A Joint Finance budget amendment diminishes the strength of the state's prevailing wage laws, undermining the way that these provisions help support the wage floor in the construction industry.
- Another amendment will require a one-week waiting period before unemployment insurance claimants can actually obtain their benefits. This takes roughly \$50 million per year from the pockets of unemployed workers.
- Another budget amendment will limit the access of part-time public sector workers to pension benefits. Most workers will have to work at least 1,200 (rather than 800) hours in a year to qualify for benefits, and they must work in the public sector at least five years before they can be repaid on their pension investments.

<sup>2</sup> Professor Steven Deller of the UW-Madison Agricultural and Applied Economics Department conducted the study. See this report: [host.madison.com/wsj/news/local/govt-and-politics/article\\_8c50dc92-52f7-11e0-993d-001cc4c03286.html](http://host.madison.com/wsj/news/local/govt-and-politics/article_8c50dc92-52f7-11e0-993d-001cc4c03286.html)

## CONCLUSION

Wisconsin's job base has posted gains over the last four months. That's good news for workers in the state who have not seen steady progress on jobs since December 2007. Our progress mirrors national job growth; and our growth is as vulnerable as the national trend.

Governor Walker's goal of 250,000 jobs for the state may or may not be achieved over his term in office. But the bottom line is that no governor can credibly claim to have sufficient control over jobs to really deliver such a significant change in the jobs base. Let's hope we get the jobs, but let's skip all the focus on credit or blame to Walker. It's just not in his hands.