

# WISCONSIN'S MISSING 64,000 JOBS

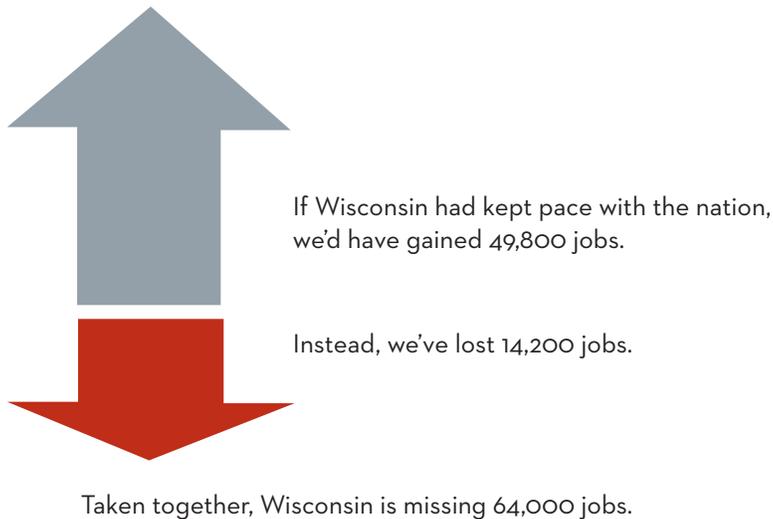
## THE WALKER RECORD SO FAR

May 2012

Last month, the federal Bureau of Labor Statistics (BLS), reporting on national job trends from March 2011 to March 2012, found Wisconsin's jobs record to be the worst in the nation. We were among a small handful of states with net job losses over that period (the others were Michigan and Missouri), and we exceeded the other losers by a wide margin. This wide departure from national growth trends is anomalous; Wisconsin's employment usually tracks U.S. trends closely. Nor is it explained by our being in a depressed Great Lakes regional economy, since others in our region did much better. And our job losses were not limited to the public sector, where we indeed had the most significant job losses. They extended to key private sectors as well.

This COWS brief looks at this experience more closely. We take the same March 2012 endpoint as the BLS, the latest employment data available at this writing. But we choose a different starting point, January 2011, when the administration of Governor Scott Walker took office. Since then, we find that about 64,000 Wisconsin jobs have "gone missing." Some 14,200 of these are absolute losses, the difference between Wisconsin's March 2012 employment of 2,730,600 and its January 2011 employment of 2,744,800. Just under 50,000 (49,800) are implied losses – the jobs Wisconsin would have added had the state's job base kept pace with the 2 percent gain in national employment over the period.

### WISCONSIN'S MISSING JOBS SINCE JANUARY 2011



### 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.

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### Related Publications

#### WISCONSIN JOB WATCH

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#### WISCONSIN'S JOBS:

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

Discusses the governor's ability (or not) to create jobs and influence job quality.

[www.cows.org/pdf/bp-WisconsinJobs.pdf](http://www.cows.org/pdf/bp-WisconsinJobs.pdf)

## DEPARTING FROM NATIONAL AND MIDWEST TRENDS

We know that state economies function in a national economic context and that generally state job numbers will be roughly in line with national trends. Historically, this has been true of Wisconsin. Figure 1 shows the trend in Wisconsin and U.S. jobs from 1990 to the present. Manifestly, Wisconsin employment trends have tracked national ones very closely. The economies add jobs at roughly the same rate, though Wisconsin did not suffer as much as the nation in the recession of 1991. The last decade has narrowed the gap a bit. But note that the rough slope of the line for the state generally echoes that of the nation. Only at the very end of the time period, the period that concerns us now, do the lines diverge in basic direction.

Figure 1

**WISCONSIN AND U.S. JOB CHANGES, JANUARY 1990 TO NOVEMBER 2011**  
(PERCENT CHANGE IN JOBS, JOB BASE INDEXED TO 100 IN 1990)

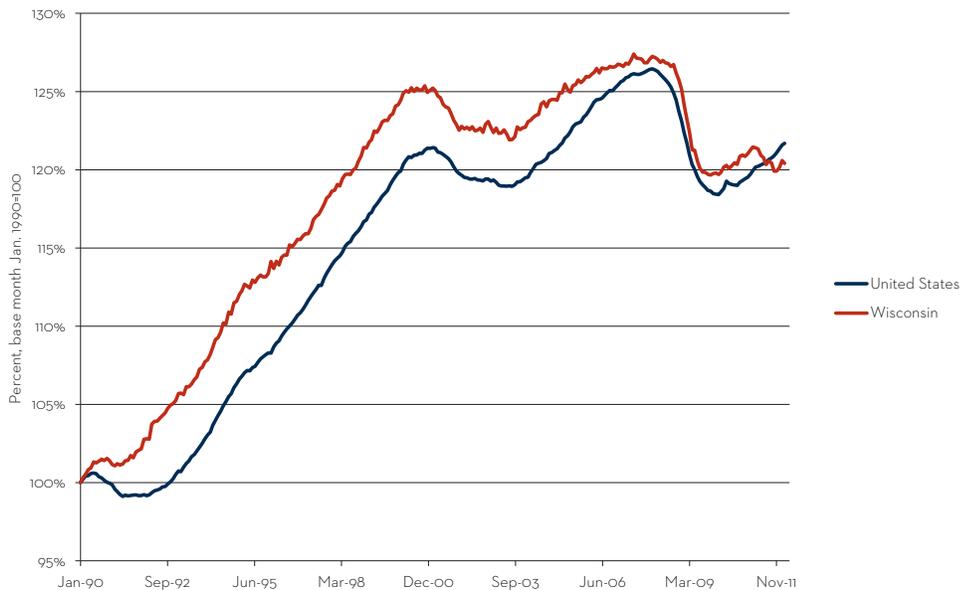


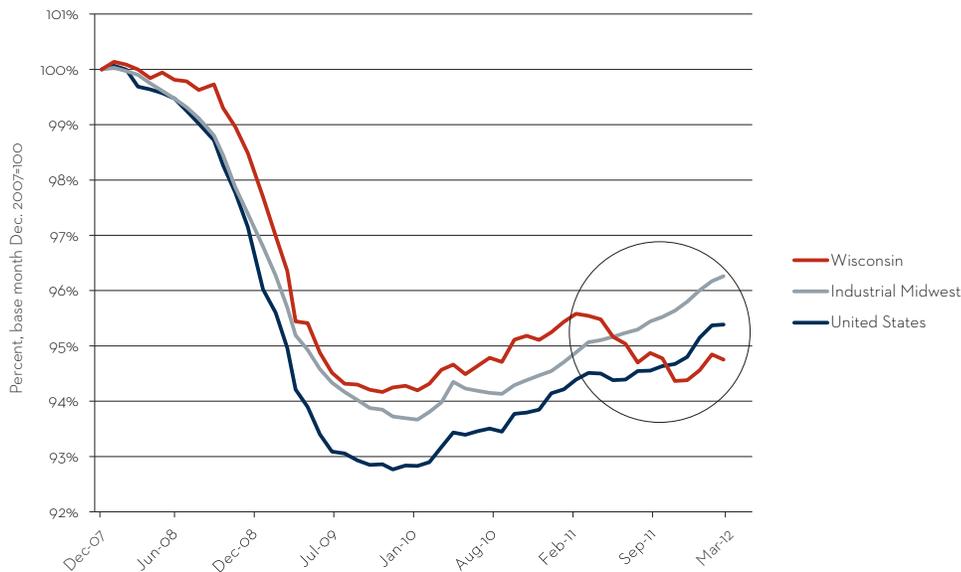
Figure 2 looks at recent employment trends in more detail. The Great Recession that began in December 2007 crashed employment nationally, with sharp decline evident after September 2008. States in the Industrial Midwest (Illinois, Indiana, Michigan, Ohio, and Wisconsin) were particularly hard hit. Wisconsin at first did a bit better than the rest of these states and the nation generally. But it was clearly a terrible period. Stagnation, followed by tentative growth, is clear from the summer of 2009.

Then came 2011, a better year for the nation but a worse one for Wisconsin. As Figure 2 shows, by the middle of the year the national recovery had gained some real traction. Employment grew even in the Industrial Midwest. But not in Wisconsin. Here the job market regressed. Having started 2011 closer to its pre-recession employment level than many, by year's end Wisconsin had fallen in both absolute and relative terms.

## WHERE ARE THE JOBS MISSING?

We turn now to sectors, comparing the actual Wisconsin labor market with where Wisconsin would have been had it kept pace with national trends over the January 2012 to March 2012 period. This is shown in Table 1.

**Figure 2**  
**MOVING WITH THE NATIONAL RECOVERY, UNTIL 2011**  
**NON-FARM JOBS AS PERCENT OF PRE-RECESSION LEVELS, WISCONSIN, INDUSTRIAL MIDWEST, AND UNITED STATES**



**Table 1**  
**WISCONSIN'S MISSING JOBS, BY INDUSTRY: COMPARING ACTUAL JOB CHANGES IN WISCONSIN TO CHANGE THAT WOULD HAVE BEEN GENERATED BY NATIONAL INDUSTRY TREND, FOR KEY SECTORS, JANUARY 2011 TO MARCH 2012**

<i>Industry</i>	<i>Actual WI jobs change, Jan. 11 to Mar. 12</i>	<i>Change in WI jobs, if WI had grown at the national rate for each sector</i>	<i>WI jobs gap, by sector</i>
Government	-15,000	-4,713	-10,287
Construction	-5,600	1,628	-7,228
Professional, Scientific, and Technical Services	-3,200	4,461	-7,661
Transportation and Utilities	-3,200	1,581	-4,781
Retail Trade	-3,000	2,906	-5,906
Other Services	-2,100	772	-2,872
Professional and Business Services	-1,300	12,180	-13,480
Leisure and Hospitality	-1,900	8,609	-10,509
Information	-600	-806	206
Real Estate, Rental, and Leasing	-500	454	-954
Administrative Support and Waste Management	800	6,158	-5,358
Educational Services	900	1,474	-574
Wholesale Trade	2,700	2,296	404
Health Care and Social Assistance	6,800	9,158	-2,358
Manufacturing	11,700	11,316	384

In terms of pure decline in the Wisconsin economy from January 2011 to March 2012, no sector matches the public sector. Wisconsin government-sector employment fell by 15,000 jobs. No other sector came close to losing that many jobs over the same period. The hard hit construction sector in the state also lost jobs over the period, ending with 5,600 fewer jobs than in January 2011. On the positive side, Wisconsin's manufacturing sector grew by nearly 12,000 jobs, which helped offset some of the weakness of other sectors.

But comparing these actual changes in Wisconsin job sectors with what would have happened had Wisconsin only kept pace with national trends offers further insight. First, nationally, the government sector declined as it did in Wisconsin. But if Wisconsin's government sector had declined at the national rate, we would have lost 4,700 jobs in this sector when, in fact, Wisconsin lost 15,000 jobs from January 2011 to March 2012. That means that Wisconsin exceeded the national decline in this sector by some 10,300 jobs. Clearly, the decline in government is contributing substantially Wisconsin's 64,000 jobs hole.

But Wisconsin also got into this jobs hole by not growing sectors that grew nationally. Most important here are Business and Professional Services and Leisure and Hospitality. Business and Professional Services in Wisconsin slipped slightly from January 2011 to March 2012, losing some 1,300 jobs. If national trends had been matched here, Wisconsin would have added more than 12,000 jobs in this sector. Business and Professional Services includes staffing service agencies. As the economy recovers, this sector tends to show stronger growth, and its growth, in turn, can predict strength in hiring that will spread to other sectors. Wisconsin's weakness in this sector, with a gap of 13,480 jobs relative to the national trend, is bad news now, but also signals that the recovery is not gaining much traction in the state. Likewise, Leisure and Hospitality declined slightly from January 2011 to March 2012, with the sector down 1,900 jobs. The national trend in the sector would have brought 8,600 jobs to Wisconsin, meaning that this sector also accounts from some 10,500 jobs in Wisconsin's 64,000 jobs hole.

Three sectors – Government; Business and Professional Services; and Leisure and Hospitality – account for more than one half of Wisconsin's jobs hole that has opened since January 2011. If we'd just followed the national trend in those sectors, Wisconsin would have 34,000 more jobs today than it did in January 2011. Clearly, government-sector decline has been central to Wisconsin's dismal year, but this analysis reveals real weakness in the private sector as well.

## SO, WHAT'S GONE WRONG IN WISCONSIN SINCE JANUARY 2011?

We observed last summer, in *Wisconsin's Jobs: Don't Credit (or Blame) Walker Where He Has No Real Influence*, that governors generally deserved neither credit nor blame they routinely get for changes in the state's overall job base. The reason is that around 85 percent of all employment is private, and demand for jobs there is set by national and international factors beyond the control of any governor.

This is not to say that governors are not important actors in their state's economy. They may not be able to set the level of aggregate demand for jobs, but they greatly influence the number of public-sector ones, which has significant effects. They can also, using personal leadership and policy, affect the composition, distribution, and equality of private-sector employment – helping or hurting the development of particular sectors, widening or reducing individual access to employment, raising or lowering public expectations of employers. Most broadly, they can set a direction for a state's future development, be it low road or high road, by aligning its public investments in physical and social infrastructure, regulatory practices, and governing style with those competing visions of its future. All these things affect a state's economy and employment.

Further, whatever the limits of a governor's power in setting private jobs numbers, when a particular state's performance diverges sharply from the nation and nearby like states, it seems reasonable to ask why. This is especially so when, as here, the divergence coincides almost perfectly with the ascension of a new governor who invited, even demanded, judgment on his job numbers.

Governor Walker has repeatedly stated a goal of 250,000 new jobs by the end of his first term at the measure of its success. We at COWS think this measure is by turns laudable (if limited), empty, and misleading. *Laudable* because Wisconsin does indeed need a lot of new jobs, and focusing on them is a good idea; but *limited* because it won't even get Wisconsin back to its pre-recession employment levels when people were rightly complaining about a "jobless" recovery. *Empty* because any such numerical goal tells us nothing about job quality. *Jobs per se* should never a policy goal; we want decent jobs, jobs that can support a family, or at least jobs with some future. *Misleading* both for the reason stated previously – governors generally have relatively little to do with short-term changes in private-sector

employment, so shouldn't really claim credit for them – and because even a modest national recovery would ordinarily generate at least that number for this state, with no special gubernatorial efforts required. As we've just seen, if Wisconsin simply had simply kept pace with the halting national recovery that's now happening, we would have added 50,000 jobs since last January.

But, casting all these misgivings aside, and simply taking the Governor's own measure of his success, what is fair to say about his record so far?

On the overall numbers, obviously, it's a miserable failure. Getting to the 250,000 new jobs for which he wants to claim credit in his first term would require the addition of an average 5,200 jobs for each month of it. Over 15 months, that would mean 78,000 jobs new jobs. For the 15 months since he's been in office for which we have jobs numbers, we're down 14,200 – a gap between expectation and performance of 92,200 jobs. And at least some of this is directly attributable to the one area of the economy where a governor can make the most immediate difference, public-sector employment. This sector's loss in Wisconsin is directly attributable to his policies, via retirements owing to changed benefit policies and cuts in aid to local units of government. This loss in employment has spillover effects elsewhere, as does the reduced compensation of the public-sector workers that remain. The state estimated about \$750 million in annual savings from the reductions to public-sector workers take-home pay. UW Professor Steven Deller estimated that these compensation changes alone would reduce the state's job base by about 21,000 jobs.

Of course, the Governor would argue that such public-sector job loss and its spillovers, while perhaps unfortunate, were needed to lay the foundations for private-sector growth, and it's only

uncertainty about the results of his recall election that is now slowing new job growth here. Once that's settled, things will get better, and quickly.

It's possible that Governor Walker is right. It's possible that he'll survive his recall. And that his doing so will quickly calm things down in the state. And that investors, confident that Wisconsin is indeed "open for business," will flock to the state and hire local workers. And that those workers, now flush with money, will spend it on things produced here. And that things will be better than ever on the Wisconsin jobs front. The state's public sector will be smaller and poorer than it once was, but the state and its general population will be more fully employed, and richer, quite soon.

Possible, but we doubt it. Even before Governor Walker's arrival, Wisconsin was facing major challenges – falling incomes, rising inequality, low investment, an aging population, labor-management conflict, and polarized politics. Together, these were already reducing the quality of our government; the vibrancy of our economy; the public goods that once gave this average-income state an exceptional quality of life; and our shared confidence and capacity to face new problems with mutual respect and practical intelligence.

If Walker wins, we can expect, now with a certainty not provided by his first campaign, a further coarsening of Wisconsin's public life. That may attract some low-roading investors, drawn to our newly "southern" economy and culture – union-free, low-tax, less-educated, less-inclusive, more violent, and less democratic. But they are unlikely to make the people here any richer. Wisconsin will just start to look a bit more like Arkansas.

And if Walker loses, the next Governor will have a major task of repair, made worse by the past 15 months.