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ABOUT COWS

The Center on Wisconsin Strategy (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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THE STATE OF WORKING WISCONSIN
2012

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the state of working wisconsin 2012
The Great Recession officially ended three years ago now, and the recovery is—or at least should be—well underway. But the jobs deficit remains enormous, un- and under-employment are high, income is down across the decade, and the economic and psychological toll on families and communities grinds on with no relief in sight. Labor Day 2012 finds too many Wisconsin workers waiting. Waiting for an economic recovery strong enough to produce jobs, higher family income, and a stronger a sense of economic security in the state.

A biennial release from COWS since 1996, The State of Working Wisconsin uses the best and most recent data available to help refine our understanding of exactly how working people in Wisconsin are doing. The news in 2012 is grim, due to long-term trends of rising inequality and declining job quality for those at the bottom of the labor market and to the shorter-term grind of a recovery caught in the doldrums. The news for African Americans in the state is especially bleak.

**WISCONSIN JOBS: MASSIVE DEFICIT**

Wisconsin needs jobs. The 2007 recession devastated our job market, and the anemic recovery has yet to fill the gap.

The numbers are stark. In December 2007, Wisconsin had some 2.88 million jobs. In July 2012, the state had just 2.72 million jobs. Wisconsin's jobs deficit is more than 245,900; these are the jobs we need just to make up for losses and population growth since the recession began.

Worse, in 2011 Wisconsin fell off the weak national and regional pace of job growth, fueling concern and contentious debate about the accuracy of different data sources. However, using any source of data our job market is a national and regional laggard.

**FAMILY INCOME: A LOST DECADE**

Miserable income performance dominates the economic news of the new century. Adjusting for inflation, median income for four-person families in Wisconsin fell $8,500 from the start of the decade, falling from $84,500 to $76,000. Income is down nationally as well, breaking with more than 60 years of economic performance where family income has risen each decade.

**WISCONSIN’S JOBS DEFICIT THROUGH JULY 2012**

**CHANGE IN MEDIAN INCOME BY DECADE FOR FOUR-PERSON FAMILIES, WISCONSIN AND U.S. (2011 dollars)**

U.S. Census Bureau, CPS and ACS; data series changes from CPS to ACS in 2004-2005
EXECUTIVE SUMMARY

UNEMPLOYMENT REMAINS HIGH

From 2000 to 2011, unemployment doubled, the share of the unemployed who had been out of work for more than six months tripled, and the share of workers who wanted full-time but could only secure part-time hours more than doubled as well.

One in four young workers (ages 16-24) is unemployed or underemployed.

BLACK PROSPECTS BLEAK, UNEMPLOYMENT WORST IN NATION

In 2011, the 25 percent unemployment rate for African Americans was the worst in the nation. And the median wages of black men ($14.65 per hour) and black women ($13.67) lag the state’s median wage ($16.84) by more than $2.00 per hour. More than one in four African American workers who hold jobs earn poverty wages.

MANUFACTURING A SOURCE OF GROWTH, BUT STILL BRUTALLY DOWN ACROSS THE DECADE

Recently, Wisconsin’s manufacturing sector has added jobs. The welcome gains of the last few years are dwarfed, however, by job losses across the decade. Wisconsin has three manufacturing jobs today for every four in 2000—down from 600,000 to just 450,000 jobs.
WISCONSIN WAGES: WEAK GROWTH, INEQUALITY

The state’s 2011 median wage—$16.84 per hour—exceeds the 1979 median by just one dollar, though today’s typical worker is more productive—being substantially more educated than in 1979 and working with better technology.

From 1987 to 2009, the share of Wisconsin workers that obtained health insurance through their jobs fell from 63 to 54 percent.

Workers with four-year college degrees (or more) earn a median wage of $22.91. Workers without high school degrees earn less than half as much ($10.35). Associate degree holders earn nearly $18 per hour.

POVERTY WAGE JOBS

More than one in five Wisconsin workers held a poverty-wage job in 2011 (wage under $10.97 per hour). One in four black workers held poverty wage jobs.

Just 23 percent of workers in poverty-wage jobs receive health care insurance through their employers. In better-paying jobs, 63 percent of workers get health care coverage through work.

Just 20 percent of poverty-wage workers participate in their employer-provided pension benefit, but 64 percent of higher-wage workers do.
MORE KIDS IN NEED: A CHALLENGE TO OUR CURRENT COURSE

The jobs, income, and wage data make economic challenges for working people in the state clear. But these data can feel abstract or remote. What does it mean for a state when family income falls across a decade? Or when workers can’t find jobs or the hours they need to make ends meet? Or when wages and benefits are too low?

The two maps below make it clear what happens in schools, families, and communities when economic performance is poor. These maps show the share of students in Wisconsin school districts with income low enough to qualify for free or reduced-price school lunch. The increase from 2001 to 2012 is breathtaking. In 2012, families with kids in school are in greater financial distress all across the state—in our urban centers and rural areas, in the woods in the north, along the rivers and hills of our dairy lands, and in bastions of conservative and liberal thought alike. Throughout the state, many more families struggle to make ends meet in 2012 than did at the turn of the new century.

But even as need has grown in our schools, our public investment in them has waned. The teacher working hard to educate a poorer and more distressed and distracted student population today is also dealing with larger classes; or outdated books; or insufficient technical, counseling, or health support. Teachers’ jobs are harder. And in 2011, teachers’ take-home pay slid downward and collective-bargaining rights collapsed.

Wisconsin’s challenge is clear. The future of our state—of our families, communities, and businesses—is being forged today in the state’s schools. Wisconsin needs to build a base of decent work for parents and secure strong education for kids. Without more concerted attention on both decent jobs and strong schools, we may face another decade of loss.

SHARE OF STUDENTS WHO QUALIFY FOR FREE AND REDUCED-PRICE SCHOOL LUNCH IN WISCONSIN
Five years ago, the nation’s housing bubble popped and the economy slumped. A year later, the financial crisis of 2008 turned the downturn into economic collapse. Over the next six months, the nation hemorrhaged jobs, unemployment doubled, and the nation’s workers felt the pain of the most significant economic slump since 1929. The Great Recession officially ended some three years ago now and the recovery is—or should be—well underway. Unfortunately, working people are still waiting. Waiting for job growth, for housing prices to recover, for income growth, for some sense of security. The nation’s jobs deficit remains enormous, un- and under-employment are high, and the economic and psychological toll on families and communities grinds on with no relief in sight. For working people, there is little to celebrate this Labor Day 2012. The economy only sputters, receiving too little attention from politicians and their relentless focus on national debt rather than the jobs deficit.

With serious negative effects on jobs and income, the Great Recession slammed into the nation’s families before they had recovered from the 2001 downturn. Worse, the recovery from the Great Recession is even weaker than the famously “jobless” recovery from the 2001 downturn. Three years of this recovery has not gotten the jobs base back to the 2007 level—we’re ten million jobs short (needing five million jobs just to get back to 2007’s job count and five million more to make up for population growth since then). Family income is falling as well, posting substantial declines in the last two years.

*The State of Working Wisconsin 2012* uses the best and most recent data available to help refine our understanding of exactly how working people in Wisconsin are doing. We find that working people in the state are still waiting for an economic recovery strong enough to produce jobs, higher family income, and a stronger sense of security in working people’s lives. To paint a comprehensive picture of the economic reality of working people, we rely on a variety of data, most often from the federal government. We focus not only on the short-term changes wrought by the Great Recession, but also on the longer-term trends that have altered opportunity, equality, and outcomes for so many.

COWS has released this report biennially since 1996, and this, our ninth edition, is nearly as negative as our last (the 2010 edition). The heavy weight of the Great Recession continues to drag families down. The short-term stress generated by the weak economic recovery puts a

### Fast Facts

- **Jobs deficit since Dec. 2007:** 245,900
- **Percent of people ages 16-24 in the labor force, 2011:** WI – 69.8%, U.S. – 56.9%
- **Percent of African American workers unemployed, 2011:** 24.9%

This year COWS will post a new resource on our website—*The State of Working Wisconsin Online Supplement*. As in the past, the web provides access to the full version and executive summary of the current *State of Working Wisconsin* as well as to previous versions of the report, starting in 1996.

But the online version will also provide access to supplemental material: more maps, more data, and interactive graphs on key economic and social indicators at the state and county level. The online supplement will be updated as new data becomes available and will provide access to figures and graphs on the Wisconsin economy as they come out.

Please visit *The State of Working Wisconsin* online supplement at [www.cows.org/sowwwonline](http://www.cows.org/sowwwonline).
massive jobs deficit, economic insecurity, and long-term unemployment alongside the already challenging longer-term trends we’ve consistently documented.

Our long-term challenges are daunting and largely shared with the nation: relatively stagnant wage growth and the proliferation of low-wage jobs; sliding health insurance coverage and plummeting pension benefits (see Chapters 2 and 3); and a stubbornly high poverty rate leaving too many in economic isolation (see Chapter 4). Racial disparity is not unique to Wisconsin, but it is extreme here; consistently the black/white differences in poverty, educational attainment, and incarceration rank us among the most unequal in the nation. These generational shifts continue to undermine economic security for families.

But our short-term challenges are extreme enough to distract us from these long-term issues. The state’s jobs base now is 5.7 percent lower than that of December 2007 when the Great Recession began. Wisconsin faces a jobs deficit of 245,900; that’s the number of jobs we need just to make up for job losses and population growth since the recession began. Worse, in 2011 Wisconsin fell off the weak national and regional pace of job growth. Our jobs picture is only barely improving, and using any source of data our labor market is a national laggard. The state’s unemployment rate has fallen but has ticked up in the past two months, and it remains brutally high in specific communities and for specific demographic groups in the state (see this chapter on jobs and unemployment). Income in the state has posted serious decline over the last few years (see Chapter 4). Across the state, workers, families, and communities are still waiting for a real recovery; their already tested patience may be required for another few years.

In this chapter we focus first on jobs. We dig into what has been going on in Wisconsin’s labor market and how that’s related to the state’s highly charged political environment starting in 2011. We turn then to unemployment, the burden carried by 224,000 Wisconsinites in July.

The demographics and geography of un- and underemployment for the state are investigated and discussed. Finally we close the chapter with a quick review of the Wisconsin labor force and population and key sectors in the state’s economy.

WISCONSIN JOBS: MASSIVE DEFICIT, SLOW GROWTH, CONTENTIOUS DATA

Wisconsin needs jobs. The brutal 2007 recession contracted the labor market, and the weak recovery has done very little to extend opportunity back to pre-recession levels. Those without jobs are desperately seeking work, even as debts and self-doubt grow. Others have given up the search, announcing “retirement,” a return to school, or otherwise dropping out of the labor market. And the stress extends far beyond those who can’t find work. In their jobs, many workers are unable to secure the hours of work they need. Others can no longer rely on the extra and overtime hours that provided financial breathing room. Still others are afraid to question their shift schedules or other terms of work, knowing that a line of prospective replacements awaits any open position. The labor market remains a buyer’s market, meaning that those with jobs to offer have more options, and those who need jobs or are in them have less leverage.

The numbers are stark. In December 2007, Wisconsin had some 2.88 million jobs. In July 2012, Wisconsin had just 2.72 million jobs. Though our population has grown, our jobs base remains bogged down at levels not seen since the late 1990s.

The depth of the state’s jobs deficit is shown in Table 1.1. and Figure 1.1. The dark green area, below the line at 2.88 million (December 2007 jobs base) shows how far the Wisconsin labor market has fallen. The state job
market fell 5.8 percent and remains 5.7 percent below the pre-recession level. Wisconsin needs 164,900 jobs just to get back to 2007 employment. But since 2007, our population has grown by 2.8 percent. For workers to have the sense of security and opportunity they did before the recession, we’d need 81,000 jobs in addition to those lost. The Wisconsin jobs deficit—245,900 jobs—leaves families, communities, and our state economy in a deep hole. Nearly one-quarter of a million workers who could be productive today simply cannot find work.

While jobs have been in the political spotlight for the last year, far too much time has been spent discussing very small month-to-month changes. Far too little time has been spent considering the size of the hole we are in and holding the numbers (positive or negative) up to the demands of that gaping deficit. Creating 20,000 jobs over a year is a pace of job growth that in a labor market of 2.7 million is essentially zero, and nowhere near the pace of growth required to make real progress toward filling our deficit of 245,900 jobs. (More on the various federal data sources on state jobs and what they mean for Wisconsin follows.)

Figure 1.2 shows the trajectory of jobs in two key sectors that have been hard hit by the recession. The collapse of the housing bubble—overvaluation of housing and overinvestment in housing—guaranteed that construction would be hard hit by this recession.

<p>| table 1.1 |</p>
<table>
<thead>
<tr>
<th>WISCONSIN’S JOBS DEFICIT THROUGH JULY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start of the recession</td>
</tr>
<tr>
<td>Number of jobs</td>
</tr>
<tr>
<td>Labor market trough</td>
</tr>
<tr>
<td>Number of jobs</td>
</tr>
<tr>
<td>Peak-to-trough shortfall</td>
</tr>
<tr>
<td>Last month of data</td>
</tr>
<tr>
<td>Number of jobs</td>
</tr>
<tr>
<td>Change from previous month</td>
</tr>
<tr>
<td>Jobs lost since the start of the recession</td>
</tr>
<tr>
<td>Population growth since the recession began</td>
</tr>
<tr>
<td>Jobs needed to accommodate population growth</td>
</tr>
<tr>
<td>Jobs Deficit</td>
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</tbody>
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| figure 1.1 |
| WISCONSIN’S JOBS DEFICIT THROUGH JULY 2012 |

EPI analysis of BLS data
Indeed, the sector has been reeling since 2007 and has yet to establish a firm footing for recovery in the state. Wisconsin’s construction sector fell from 123,900 jobs in December 2007 to 82,200 jobs in July 2012. There are just two workers in construction for every three that held jobs in the sector five years ago. In some states, construction employment is on the rise, but in Wisconsin there is no clear positive trajectory yet.

Manufacturing has been hard hit in this decade too, and the Great Recession extracted a further toll on this sector. But the manufacturing recovery provides a slightly more positive story. At the beginning of the recession, the state rapidly shed 15 percent of its manufacturing jobs. But over the last two years, our manufacturing sector has added jobs. Indeed, manufacturing is one of the few steadily growing sectors in Wisconsin. That’s good news for the state economy, as manufacturers tend to sell products out of the state and bring money into it. It is also welcome news for manufacturing workers who have watched as the sector shed one in every four jobs in the last decade. It is good that manufacturing is no longer sliding, but it is unlikely that manufacturing employment will surge back to 2000 levels either.
Like all states, Wisconsin is deeply integrated into the national economy. State economies tend to move in step with their neighbors and with the nation. There are exceptions, of course. North Dakota’s natural gas reserves have set that state on a new trajectory with strong job gains and low unemployment in recent years. Michigan’s tie to the auto industry and the heavy damage of Hurricane Katrina in Louisiana and Mississippi provide other obvious instances where state economies deviated from national trends. But for the most part (and in spite of nearly all governors’ claims to the contrary), states move with the nation. Wisconsin certainly has for the last 30 years. Something changed in 2011.

Figure 1.3 shows employment trends over the last five years. 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.

However, Wisconsin’s job growth diverges from the national trend in early 2011. Nationally, the number of jobs grew in 2011 and the first half of 2012. States in the Industrial Midwest followed that trajectory. But not Wisconsin, where as Figure 1.3 shows, the job market regressed. Having started 2011 closer to its pre-recession employment level than many states, by year’s end Wisconsin had fallen in both absolute and relative terms.
From January 2011 to June 2012, Wisconsin lost 21,900 jobs. Over that period Wisconsin would have gained 13,000 jobs if the state had simply kept pace with the nation. That’s a gap of 34,900 jobs that we could reasonably have expected to have today.

Three sectors—government, construction, and leisure and hospitality—account for Wisconsin’s missing jobs. In Table 1.2, we look at actual sector job trends and also calculate the change in specific sectors Wisconsin would have experienced given national trends. For example, over the period Wisconsin’s leisure and hospitality sector lost 14,300 jobs. However, if the state’s sector had simply grown in step with the nation’s, the state would have 1,680 more of these jobs. So the Wisconsin difference in this sector accounts for 16,000 of the missing jobs in the state. The government sector, which lost 9,500 jobs in the state, would have only been expected to lose 900 given national trends. So Wisconsin’s shrinking government sector also explains 8,600 of the jobs gone missing over the last year and a half. Similarly, construction’s continued decline in the state has taken a toll on our relative position.

Wisconsin also has a number of sectors that exceed the expectations set by national trends. Manufacturing provides Wisconsin’s most positive story. The sector grew by 13,300 jobs from January 2011 to June 2012. National trends would have produced just 3,800 manufacturing jobs for Wisconsin over that period. Wisconsin’s manufacturing sector outperformed the nation by nearly 10,000 jobs. Even though our manufacturing sector was running ahead of national trends, our state could not keep pace.

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<tbody>
<tr>
<td>Leisure and Hospitality</td>
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<td>Construction</td>
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<td>-2,217</td>
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<tr>
<td>Professional and Business Services</td>
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<td>-5,571</td>
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<td>-740</td>
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<tr>
<td>Manufacturing</td>
<td>13,300</td>
<td>3,759</td>
<td>9,541</td>
</tr>
</tbody>
</table>

COWS analysis of BLS, CES data
Wisconsin job numbers have come under unprecedented and intense scrutiny in the last year. Obviously, the governor’s oft-repeated pledge to create 250,000 jobs over his term, combined with recall elections, politicized these numbers to a greater extent than ever before. But the surprising divergence of Wisconsin from national trends—Wisconsin’s job trend was the worst in the nation in one federal analysis—ignited interest into a maelstrom of controversy.

The job numbers themselves became a point of debate—a debate that left many confused about jobs in Wisconsin over 2011 and suspicious of anyone offering data to support a position.

The debate came down to two data series on jobs at the state level from the federal government. The most well-known data series is the CES (Current Employment Statistics) which provides monthly jobs data for all states, three weeks after the end of the month (i.e., July data is released in the third week of August). An estimate of a state’s jobs base is produced on the basis of a survey of a sample of employers. The CES is very timely and has consistently been the go-to source for politicians, the media, and researchers on current job trends for the nation and at the state level. Across the nation, this series remains the standard series for judging state labor markets.

In general, the QCEW (Quarterly Census of Employment and Wages) receives much less media and political attention. The data is derived from a census—a real count—of all jobs in a state that are covered by Unemployment Insurance (greater than 95 percent of all jobs). Derived from an actual count of jobs, the data is of higher quality and therefore more reliable. It is also less timely than the CES series. The data is released quarterly rather than monthly, and the lag from the time of release is six months (i.e., data on jobs from the last quarter of 2011 is not released until late June 2012).

So, without a doubt, the QCEW provides a more accurate picture of changes in jobs. And it is also without question that this data comes with a significant lag. Both data sources are useful and, in spite of discussion to the contrary, both sources paint a weak jobs picture in the state over 2011-12.

Depending on the months selected, in the CES Wisconsin’s 2011 was among the worst or even the worst in the nation. Wisconsin posted losses of around 20,000 jobs using this data. On the contrary, the QCEW showed labor market growth—not losses—over 2011. In late May, Wisconsin released QCEW data for 2011, ahead of the federal compilation and release of the data in late June and, more relevantly, ahead of the recall election. The state’s QCEW did show job gains of about 20,000 jobs (note that those are very weak job gains) rather than the job losses that the CES showed. The QCEW provides the better data and those data make it clear that Wisconsin’s jobs base grew in 2011.

But in late June, the comparison of Wisconsin’s performance to other states finally became possible, and our very weak position relative to national trends is evident even in the QCEW. From the QCEW data over 2011:

- Wisconsin gained 19,551 jobs from the fourth quarter of 2010 to the fourth quarter of 2011.
- Wisconsin’s rate of job growth, 0.73 percent, ranked 42nd of all states and Washington, DC.
- Wisconsin’s rate of job growth was slowest among all states in the Midwest. Only Missouri, Idaho, Maine, New Jersey, Delaware, Mississippi, Alabama, Rhode Island, and New Mexico posted worse job trends.
- Wisconsin’s wage data also shows weakness, with average weekly wages down 2.4 percent from the fourth quarter of 2010 to the fourth quarter of 2011.
We also conducted a sectoral analysis of the QCEW changes (as presented previously using the CES) to see what sectors account for Wisconsin's weak performance. This analysis confirms that declines in employment in the public sector and in Leisure and Hospitality, Construction, and Financial Activities help to explain why we are falling behind. For details, see our technical note online (www.cows.org/soww).

While early release of the QCEW confused the discussion of what has happened in the Wisconsin labor market, closer investigation and comparison with other states provides further confirmation of Wisconsin's job growth weakness in 2011. Wisconsin has not connected completely with the national and regional economic recovery, and even that recovery is too weak.

The bottom line is that Wisconsin’s labor market growth is very weak and lags well behind our neighboring states, in every credible series of data you choose to look at. Further, the Wisconsin rate of growth, falling below the regional norm, is well off the pace that is required to close the jobs deficit we showed in Figure 1.1. Adding just 20,000 jobs in 2011—in a state with 2.7 million jobs that so clearly and desperately needs more than 245,000 jobs to get back to 2007 employment levels—is too meager to be worthy of celebration. Such weak growth should never be held up as a success—either in terms of comparison with our neighbors or our own needs.

Figure 1.4 provides a bit of perspective on the different data series, the current U.S. rate of job growth, and the pace of private-sector job growth that would be required to meet Governor Walker's pledge of 250,000 jobs over his term. It is clear that even the national recovery is not on target to reach that goal, and Wisconsin is well below it, using data from either the CES or the QCEW.
UNEMPLOYMENT AND UNDEREMPLOYMENT IN WISCONSIN

Given the state’s jobs deficit and weak labor market growth, it is no surprise that Wisconsinites face serious issues of unemployment and underemployment. In July 2012, some 224,000 Wisconsinites wanted work but couldn’t find it. Thousands more need more hours of work than they can get from their jobs, and more still have become so discouraged by the lack of prospects that they have simply given up looking for work. In good news, unemployment has been drifting down in Wisconsin since January 2010, but only very slowly. And in the last two months that trend appears to have reversed again with a slow upward drift apparent.

The unemployed in Wisconsin bear the brunt of the weak job market. They struggle to make ends meet; to muster the optimism required to apply for yet another job; and to confront impossible financial choices regarding their housing, their health, and their children. Unemployment can leave those without jobs feeling isolated and inadequate—sure that their lack of work is their own fault. In this economy though, the plight of the unemployed has everything to do with weak demand for labor and much less to do with the personal failings or skills problems of those who seek work.

Unemployment and Long-Term Unemployment Still High

Over the course of the Great Recession, unemployment in Wisconsin rose dramatically and has only slowly receded over the course of the recovery. Currently, 7.3 percent of the state’s workforce is unemployed—reporting that they are actively seeking but cannot find work. That level of unemployment is up from 4.5 percent at the end of 2007. After the labor market collapse following the global financial crisis, unemployment more than doubled to over 9 percent in 2009 and has mostly been in gradual decline since January 2010 (see Figure 1.5). Unfortunately, after a long and slow decline to below 7 percent, Wisconsin’s unemployment rate has risen slightly in the last two months.

The official unemployment statistic, updated each month, makes the suffering
in this labor market clear. Some 224,000 Wisconsinites were actively seeking work but unable to find a job in July 2012. But the reach of unemployment is broader than a single month suggests. Given the flow into and out of unemployment over the course of a year, unemployment touches many more workers than it does in a single month. National data show that the total number of persons who experienced unemployment at some point in 2009 was 83 percent higher than the average number unemployed each month. If Wisconsin mirrors that proportion, in 2012, more than 400,000 workers in the state experienced unemployment. Beyond those workers, the financial and emotional stress of unemployment spreads further through families and communities and to the many who feel vulnerable in the weak labor market, even if they have not lost work. Producing deep ripple effects throughout our communities, unemployment touches workers—both with and without jobs—throughout the state.

Figures 1.6 and 1.7 offer our most complete picture of the labor market misery that results from a weak labor market, showing both unemployment (including long-term unemployment) and underemployment in Wisconsin. Anyone who has been looking for work for more than six months is in the “long-term” unemployment category. Anyone who reports wishing for more hours of work is “involuntary part-time.” Figure 1.6 makes the change across the decade clear. Unemployment, long-term unemployment, and underemployment all jump up in 2009. By 2011, there are only the slightest signs of recovery. Unemployment and underemployment are both dramatically higher than they were in 2000.

Unemployment Understates Labor Market Misery

On the Need For More Hours of Work. Unemployment is just one measure of suffering in a labor market. Even for workers who have jobs, an increasing share report wanting more hours of work than they can secure in their current employment. These “involuntary part-time workers” also suffer from weak demand in the labor market. They have less ability to negotiate for more hours of work, because they know that so many unemployed workers would be willing to accept even their irregular hours. The share of Wisconsin workers who hold part-time jobs but wish for more work has more than doubled over this decade—from just 2 percent of the workforce in 2000 to 5 percent in 2010. One in 20 Wisconsin workers gets fewer hours than they want from their job.

Long-Term Unemployment

On Giving Up Even Looking for a Job. At some point in their job search, unemployed workers begin to give up. Instead of reporting that they are “actively seeking work,” they stop looking for a job. When this happens, the...
figure 1.7
EMPLOYMENT STATUS IN WISCONSIN, 2000 AND 2011

2000

"Fully" Employed 94%
Involuntary Part-Time 2%

Unemployed (≤26 weeks) 3%
Long-Term Unemployed 1%

2011

"Fully" Employed 87%
Unemployed (≤26 weeks) 5%
Long-Term Unemployed 3%

EPI analysis of CPS data
workers are no longer “unemployed” and no longer count in that central statistic of economic suffering. Discouraged workers are hard to identify and count, and their numbers are small. However, the number of “discouraged” workers in Wisconsin more than doubled from 2000 to 2011, from just over a half a percent of the workforce in 2000 to 1.3 percent in 2011.

The Demographics of Unemployment: Weak Labor Market Hits Those with the Least

Opportunity is not distributed evenly across the labor market. Neither is the stress of unemployment and involuntary part-time work. Table 1.3 and Figure 1.8 make the severe stresses for specific groups of workers obvious.

In general, the workers closer to the bottom of the labor market are also more likely to be unemployed or want more hours of work. Most striking, fully 25 percent of Wisconsin’s African American labor force is unemployed, a rate of unemployment more than four times higher than the rate for Wisconsin’s white workforce. Another 8 percent can’t secure the full-time jobs they want and so continue in part-time jobs. On net, nearly one-third of the African American workforce needs a job or more hours from the one they have. For Wisconsin’s African Americans, unemployment is a community crisis in line with the worst years of the Great Depression. Younger workers and less educated workers also face higher levels of unemployment and involuntary part-time work. And while unemployment for the state is under 8 percent, it is higher for men (8.8 percent), for workers ages 16 to 24 (15.1 percent), for workers with less than a high school education (18.8 percent), for workers with high school degrees but no additional education (10.1 percent), and for Hispanics (12.1 percent).
Figure 1.8
Wisconsin Unemployment and Involuntary Part-Time Work for Key Demographic Groups, 2011 (for data, see Table 1.3 on previous page)
The Geography of Unemployment

Labor markets are place-based. When job losses occur in specific places (as when a major employer closes), unemployment increases. The unsurprising result is that unemployment is distributed unevenly across Wisconsin, as the map of June 2012 unemployment by county makes clear in Figure 1.9. The map shows high unemployment in counties that have suffered major manufacturing losses (Rock, Kenosha, and Milwaukee counties, for example) but makes clear that more rural northern counties in the state are suffering from job losses as well. The geographic variability of unemployment provides concrete evidence that specific communities need support and that unemployment is much harder to get out of for some workers than others, simply based on where they live.

**Wisconsin Counties with Highest Unemployment Rates**

<table>
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<tr>
<th>County</th>
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<tbody>
<tr>
<td>Menominee</td>
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</tr>
<tr>
<td>Iron</td>
<td>10.8%</td>
</tr>
<tr>
<td>Forest</td>
<td>10.0%</td>
</tr>
<tr>
<td>Lincoln</td>
<td>10.0%</td>
</tr>
<tr>
<td>Adams</td>
<td>9.7%</td>
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<tr>
<td>Ashland</td>
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</tr>
<tr>
<td>Rusk</td>
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<tr>
<td>Milwaukee</td>
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</tr>
<tr>
<td>Langlade</td>
<td>9.4%</td>
</tr>
<tr>
<td>Rock</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

**Figure 1.9**

**Unemployment by County in Wisconsin, June 2012 (as percent of civilian labor force)**
GREAT RECESSION: WORST NEWS ON JOBS AND UNEMPLOYMENT IN 30 YEARS

As measured by job loss and unemployment growth, the Great Recession of 2007 outstrips every downturn in the state of the last 30 years. Even the difficulties wrought by the recession of 1980 faded more quickly than this. Figures 1.10 and 1.11 make the relative picture clear.

Figure 1.10 shows that the current recession clearly posts the most significant job losses. We lost almost 6 percent of our total jobs base, and now—five years after recession began—we still have not added significant numbers of jobs. No other recession of the last 30 years posts such significant losses over such an extended number of months. Also note that the recoveries from both recessions in the 21st century have been “jobless.” Even while key economic indicators grew, the jobs base did not expand.

Wisconsin Job Watch
For up-to-date information, COWS’ Wisconsin Job Watch provides a snapshot of the effects of the recession on Wisconsin jobs.
www.cows.org/jobwatch
The unemployment trajectory over this recession and recovery is also remarkable and disturbing. Starting well below 1980 levels of unemployment, the state doubled up to near 1980s levels. Now, the state posts unemployment that exceeds the 1980s unemployment five years after the recession’s start. Even the harsh 1980s recession had better outcomes both for jobs and unemployment this long after the crash.

**Figure 1.11**

**Wisconsin Unemployment in Past Four Recessions**

Per Capita Income in Context

The depth of this recession and the anemic recovery are evident in every key series of data for the state. Wisconsin’s per capita income, showing only weak growth across the decade, fell precipitously in 2008. Figure 1.12 shows Wisconsin’s per capita income from 1979 to 2011, offering a good view of the evolution of the size of the Wisconsin economy. (Data here and throughout this report are adjusted for inflation and expressed in 2011 dollars, unless otherwise noted.) The good news here, and nationally, is that per capita income is moving up. In fact, in per capita income, Wisconsin now sits above the high posted in 2007. National per capita income is also on the rise, though not yet to its pre-recession high.

The growth in per capita income shows that our economy is in “recovery” as output is increasing in the state and nation. The growth, however, is weak by historical standards. From 1969 to 1999, the economy more than doubled, but then stalled out at the turn of the century. It is good for per capita income to be on the rise, but it is nowhere near the pace of growth in the last 30 years of the 20th century.

figure 1.12
PER CAPITA INCOME, WISCONSIN AND U.S., 1979-2011
(2011 dollars)

U.S. Bureau of Economic Analysis
Table 1.4 makes it clear that—with the exception of Iowa—states in the Midwest have experienced average or slow growth this decade. In fact, both Indiana and Michigan posted declines in per capita income between 2000 to 2011, due in large part to the collapse of the American auto industry over that period. In the region, Iowa’s growth outpaced all other states and grew at more than twice the national rate with a 13.5 percent gain. Wisconsin has done second best in the 21st century with per capita growth slightly exceeding the nation’s (5.3 percent and 5.2 percent per capita income increases respectively over 2000 to 2011). Minnesota grew just slightly slower than Wisconsin, with growth of 4.9 percent in per capita income.

In spite of our growth, increasing output is not yet generating enough jobs to fill our jobs deficit or bring down unemployment. And as Chapter 4 will make clear, median income is still in decline as well. Yes, the economy is growing, but with very little effect on the median worker’s job, income, or sense of security.
Key Sectors in Wisconsin

Gross state product (GSP) is the value of all goods and services produced in a given year and state. In 2010, the total GSP for Wisconsin was $246 billion. Each sector in the state contributes to that overall product, and GSP by sector allows us to see the components of Wisconsin’s economy and how the state’s sectoral distribution differs from the region and nation.

Figure 1.13 shows the contribution of each sector to overall GSP for Wisconsin, the Great Lakes states, and for the nation. Wisconsin’s relative economic strength stands out. Manufacturing—accounting for 19 percent of the state’s GSP—is Wisconsin’s largest sector by output. Wisconsin’s manufacturing sector is larger than even the 16 percent GSP across Great Lakes states and significantly exceeds the national GDP of manufacturing, which is just 12 percent. Agriculture also stands out, with the state generating a much greater share of its economy in the sector than the region or the nation. Finally, and in worse news for the state, Wisconsin lags significantly in the professional, scientific, and technical services sector.

![Figure 1.13: Industrial Composition of the Economy: Shares of Total Product by Industry, Wisconsin, Great Lakes, and U.S., 2010](image-url)

COWS analysis of Bureau of Economic Analysis data
Nearly one-fifth of the total Wisconsin economy is generated by our state’s manufacturing sector. Wisconsin and Indiana trade the top spot for share of the workforce in manufacturing. This critical sector has also been the highlight in a weak recovery, adding jobs even as other sectors have stalled or declined. The longer-term trend for this industry serves as a reminder that even with the recent and welcome addition of jobs, the losses in the sector have been the predominant story over the last 20 years. Figure 1.14 provides perspective on recent gains in the sector by showing Wisconsin’s manufacturing employment from 1998 to 2012. The welcome gains of the last few years are dwarfed by the job losses in the recessions of 2001 and 2007. Wisconsin has three manufacturing workers with jobs today for every four it had in 2000—the sector has fallen from 600,000 to 450,000 jobs.

Table 1.5 makes it clear that Wisconsin’s losses are severe, but actually moderate compared to the national trend over 2000 to 2011. The state lost 25 percent of its manufacturing jobs while the nation lost 32 percent. Michigan’s manufacturing sector has plummeted, losing 44 percent of its workforce. Illinois, Indiana, and Ohio lost 30 percent or more of their manufacturing jobs.
Wisconsin's population is growing gradually and diversifying as it grows. With a population of 5.7 million, the state grew by nearly 400,000 over 2000 to 2010 (see Table 1.6). And while Wisconsin's 6 percent population growth was strong by regional standards, the national rate of growth was nearly twice as fast over the decade. Of neighboring states, only Minnesota (population up 7.8 percent) and Indiana (6.6 percent increase) were growing more rapidly than Wisconsin over 2000 to 2010. National growth is concentrated away from the Midwest, with the South and the West leading in growth and gaining relative population (and the increased political representation that goes along with it).

The Wisconsin workforce of 3 million (including the self-employed) is diversifying. Table 1.7 shows labor force demographics for Wisconsin and the United States. Our workforce remains overwhelmingly white—86.5 percent white and 13.5 percent non-white. And while this is more diverse than we were a decade ago, we remain much less diverse than the nation, where two-thirds (67 percent) of the workforce is white, and fully one-third of the workforce is non-white. Across the 2000s, Wisconsin’s increasing diversity owed largely to the increasing presence of Hispanics and Asians in the workforce. The African American population grew, but much more gradually, as a share of the workforce.

Table 1.7 also provides the educational distribution of Wisconsin’s workforce. The state excels at getting residents through the high school level of education. While nationally, one in ten workers have ended their education before receiving a high school degree, in Wisconsin just 7.8 percent of workers are at this low level of education. The pattern reverses at the top of the educational spectrum. Workers in the United States are slightly more likely than workers in Wisconsin to have a four-year college degree or more (32.0 percent for the U.S. versus 30.2 percent for the state).
Hard-Working State: Labor Force Participation in Wisconsin

Wisconsinites have a strong commitment to work with men and women both more likely to be in the labor market than their national counterparts. Table 1.8 shows that Wisconsin’s labor force participation rate of 69 percent substantially exceeds the national rate (64 percent). And this extra commitment to work is apparent for every demographic in the table. Both women and men are more likely to participate in the labor force than national averages. Wisconsinite’s extra commitment to work is especially pronounced for our young workers age 16 to 24, with a labor force commitment 15 percentage points higher than the national rate. But every demographic shows the same result—Wisconsinites’ labor force participation rates are always higher for educational groups, for age groups, and for racial and ethnic groups.

Women are the most substantial force behind Wisconsin’s high labor force participation rates. Figure 1.15 shows that over the last generation, men’s labor force participation has been gradually declining while women’s participation has risen. Wisconsin’s men slightly exceed the national male participation rate, but both have been on the decline. Wisconsin’s women participate in the labor force in rates that far exceed their counterparts nationally. In fact, at the turn of the century just under 70 percent of women in the state worked, a rate that stood 10 percentage points higher than the national rate for women. The lack of jobs in the state appears to have diminished Wisconsin women’s connection to work to 65 percent. But women in the state still have a substantially higher participation rate than women do nationally.

<table>
<thead>
<tr>
<th>table 1.8</th>
<th>LABOR FORCE PARTICIPATION, WISCONSIN AND U.S., 2011</th>
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<tbody>
<tr>
<td></td>
<td>Wisconsin</td>
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<tr>
<td>All</td>
<td>69.2%</td>
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<tr>
<td>Gender</td>
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<tr>
<td>Male</td>
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<tr>
<td>Female</td>
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<td>16-24 yrs</td>
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<td>25-54 yrs</td>
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<td>55 yrs and older</td>
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<td>Less Than High School</td>
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<td>Some College</td>
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<td>Bachelor’s or Higher</td>
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EPI analysis of CPS data

<table>
<thead>
<tr>
<th>figure 1.15</th>
<th>LABOR FORCE PARTICIPATION BY GENDER, WISCONSIN AND U.S., 1979-2011</th>
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EPI analysis of CPS data
The Great Recession and its aftermath have turned attention to the critical issues of jobs and unemployment. But for the nearly three million Wisconsinites who are working, their wages are the most essential measure of the quality of their jobs. In this chapter, we look into trends in median wages and disparity of wages in the state.

Wage stagnation dominates the long-term story of job quality in the United States. From the end of World War II until the 1970s, median wages were closely tied to overall economic growth. As the economy grew and productivity increased, workers’ wages advanced as well. This was the period of shared prosperity, where good news in GDP secured good results for workers’ wallets.

Figure 2.1 shows that this connection fell apart in the 1970s. In that decade, wages and productivity decoupled, defying expectations about the pay-off to growth and shattering the expectations of the inevitable economic advance of each generation of Americans. In the last 30 years, productivity continued to grow but neither hourly wage nor total compensation kept pace. In this way, economic growth has become, as one economist puts it, “a spectator sport.” In spite of productivity advances and increasing education of the workforce over the last quarter of a century, median wages have fallen for some groups and stagnated or have only slightly risen for others. Families have responded by increasing their commitment to work, with women more and more

Fast Facts

WI men’s median wage, 2011: $18.55
WI women’s median wage, 2011: $15.37
WI median wage for workers with an associate degree, 2011: $17.90

In this chapter, most of the data we use come from the Current Population Survey (CPS), conducted jointly by the U.S. Bureau of Labor Statistics and the U.S. Census Bureau. The CPS is a national survey, but it is possible to analyze the data for a given state. The size of the Wisconsin sample for those with wages in any given year (3,320 in 2011) is large enough to make statistically valid inferences about the general population. The CPS provides information on wages, hours, industry, and occupation for individuals who, in turn, are classified by such demographic variables as age, gender, race, and education.
often working full-time for pay in order to keep income up. For this last generation, women’s work has provided the increase in income that economic growth no longer provides. Looking forward, that strategy is nearly exhausted (as are the parents in the families that have pursued it).

The disconnect between economic performance and family well-being is as clear in Wisconsin as it is in the nation. The difficulties are perhaps especially clear in this recent decade. Recovery from the 2001 recession was sluggish, both nationally and in Wisconsin. Indeed, the period from 2005 to 2007 was the first three-year period of median wage decline in Wisconsin since the 1980s. Since 2008, median wages have seen some modest recovery, but the trend is unsteady and dependent on continued and comprehensive economic growth. Overall, median wages have just barely grown, especially when compared to the stronger gains in the 1990s. In fact, real median wages for all Wisconsinites have risen by barely one dollar since 2000, from $15.98 to $16.84 (in 2011 equivalent dollars).

In the rest of this chapter, we look more carefully at wage trends for specific groups and the ways that wage inequality has changed over time.

THE LONG-TERM PERSPECTIVE: SLOW WAGE GROWTH

Figure 2.2 displays real median hourly wages for Wisconsin and the United States from 1979 to 2011. (Inflation is accounted for; all values are expressed in 2011 dollars.) In 1979, Wisconsin’s median worker earned a wage well above the national median. The 1980s—an especially bad decade for Wisconsin—brought considerable real and relative wage decline, leaving Wisconsin workers more than one dollar per hour behind U.S. wages. Wisconsin finally moved back to the national median wage in 1995, and wages grew in the state each year until 2005. Since then, real hourly wages declined because of the recession, reaching a low point in 2008. Only in 2011 did wages return to their 2005 levels.

The state’s 2011 median wage—$16.84 per hour—exceeds the 1979 median by just one dollar. Today’s typical worker is substantially more
educated than in 1979, working with better technology—and thus is much more productive. Yet the median worker’s reward for that productivity is only a dollar, or just $2,075 more per year for full-time work. And most of the gain at the median was made in the 1990s. Wages rose 11 percent in that decade. In the new millennium, given the weak labor market and deep recession, real wage growth has been a mere 5 percent.

Weak wage growth over the last three decades has left workers feeling squeezed and insecure. The currently bleak jobs picture adds to that insecurity, diminishing workers’ capacity to bargain for higher wages, more hours for those who need them, or better working conditions collectively or individually.

FALLING HEALTH INSURANCE AND RETIREMENT SECURITY FROM JOBS

Median wages have made very little progress over the last 30 years. At the same time, work-based benefits like health insurance and pensions have also been on the decline. This means that workers have received less monetary compensation from work, and many have also seen the value of their benefits decline.

The nation’s health care system is under severe stress. For much of the new century, increases in health insurance costs far outstripped inflation, leaving fewer employers and employees able to afford coverage. The clearest indicator of these problems is the declining share of private-sector workers who receive employer-provided health care insurance through their jobs. For the U.S. and Wisconsin, Figure 2.3 shows the trend in employer-based health care coverage for private-sector workers from 1987 to 2009. At the beginning of the period, fully 63 percent of Wisconsin private-sector workers obtained health insurance through their jobs. The share dropped to 54 percent in 2009. Many of those who still receive

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**Figure 2.2**


**Figure 2.3**

**PRIVATE-SECTOR EMPLOYER-PROVIDED HEALTH INSURANCE COVERAGE, WISCONSIN AND U.S., 1987-2009**

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Figure 2.3 counts employed persons whose employer contributes some amount to their health insurance, which is steadily falling. Even so, health insurance reaches 90 percent of the Wisconsin population. Of those with coverage, most get it through the private market (generally through their own or other family members’ jobs), but fully 30 percent rely on public health insurance (either Medicare or Medicaid/Badgercare). Source: ACS, 2010
health insurance through work are paying more on deductibles and premiums. And for many, the quality of their coverage has also declined. (The important protections for workers found in the Affordable Care Act will not be seen in the data for a few years, but the rate of health care cost increases has fallen recently, owing both to reform and to the weak economy.)

Pension benefits are also disappearing, as employers shift from defined benefit plans to defined contribution plans. State data are not available on these trends, but the national reality is surely reflected in Wisconsin. National data from the U.S. Department of Labor show that from 1978 to 2000, the employee share of contributions to all private plans rose from 11 to 51 percent, with the employer share falling from 89 to 49 percent. For many low-wage workers, benefits like health insurance and pensions are simply out of reach. Even paid days off or sick leave are uncommon in some jobs. (See the end of this chapter for data on benefits for low-wage workers.)

WAGE TRENDS FOR DEMOGRAPHIC GROUPS

Trends in wages differ dramatically for different types of workers in the state, and the differences require attention to each specific group. Figure 2.4 makes the diverging labor market fortunes of men and women clear. Men have fared
substantially worse than women over the last three decades. Wisconsin men’s median wage fell from $20.34 in 1979 to $18.55 per hour in 2011. Men’s median wage decline was pronounced in the 1980s, with the median dropping by more than $1.80 per hour over the decade. The median wage for men actually grew in the late 1990s, but not enough to make up for the losses of the previous decade. Since 2000, the median wage for white men has hovered in the range of $18.00 per hour (dropping below that mark only in 2008, rising above $19.00 per hour in 2001 and 2005).

Over the same three decades, wages for Wisconsin’s women have grown. From 1979 to 2011, women’s median wage increased 28 percent, from $12.00 to $15.37 per hour. Because of this growth, the median Wisconsin woman working full-time and year-round brings home roughly $6,990 more annually than she did in 1979. Notably, Wisconsin women, having lagged behind their national counterparts in the 1980s, almost closed that gap during the 1990s. Wisconsin and U.S. women’s trends are nearly indistinguishable from 1997 to the present.

Table 2.1 also quantifies the dramatic race and ethnicity wage differences in the state. The median black worker in the state earned $14.01 per hour in 2011, lagging behind whites by nearly $3.50 per hour. The negative trend in black earning is dealt with in more detail below.

Wisconsin’s Hispanic population has grown dramatically in recent years, now providing sufficient data on Hispanic workers to analyze wages. In 2011, the median Hispanic in the state earned $12.53, nearly $5.00 behind the white median. That gap is most significant for men: in 2011, the median Hispanic man’s wage was just $13.35, almost $6.00 less than the median for white men in Wisconsin ($19.34); put another way, Hispanic men earn $12,460 per year less (if working full-time) than their white counterparts. The median wage for Wisconsin’s Hispanic women was just $10.95 per hour in 2011, $4.66 per hour less than white women in the state. That gap has grown since 2000, when white women’s median wage exceeded Hispanic women’s median wage by $3.32.

### Table 2.1

<table>
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</thead>
<tbody>
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<td><strong>Wisconsin</strong></td>
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</tr>
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COWS analysis of CPS ORG data
THE GENDER GAP IN WAGES

In spite of advances in women’s wages, women still face a considerable “gender gap” in pay. In 2011, the median woman in Wisconsin earned 17 percent less than the median man in the state, as indicated in Table 2.2. The gap is substantial and discouraging, given dramatic increases in women’s labor force participation, commitment to work, and skills in all types of work.

Even though the gap remains high, it’s less than in past generations. Unfortunately, however, the “progress” is not so much a result of women’s wages rising, but of men’s wages falling. As Figure 2.4 makes clear, the gap closed most rapidly in the 1980s when men’s wages fell. Between 1993 and 2001, men and women’s wages advanced at roughly the same rate, leaving women just as far behind in 2001 as they were in 1993. Stagnation of men’s wages in recent years has allowed women’s relative position to improve, but only slightly.

Men’s wage advantage over women results from both men’s concentration in higher-wage industries and the higher wages men receive within industries. The manufacturing industry provides a case in point. Wisconsin men are more than twice as likely as women to be employed in this relatively high-paying industry, which in 2011 employed 25 percent of men but just under 10 percent of women. On that basis alone, we would expect women to earn lower wages. But even within manufacturing, the median wage for men is 15 percent higher than that for women.

Figures 2.5 and 2.6 show these two effects. Figure 2.5, recording the distribution of employment by gender and industry, shows that women are concentrated in specific sectors—especially education and health services. And Figure 2.6 shows that, within those industries, women are clustered in poorer-paying jobs. In education and health services, the industry with the highest concentration of women, the female median hourly wage was $17.56 per hour, 6 percent lower than the men’s median wage of $18.80.
The disparity between Wisconsin’s white and African American populations—evident in poverty, incarceration, and educational data—often ranks Wisconsin among the worst in the nation. Wage disparity contributes directly to the state’s extreme racial inequality. While the 1980s were difficult for all workers in the state, blacks—and especially black men—suffered the worst the decade had to offer. In part, this was due to the demise of manufacturing in Milwaukee, which provided the core of decent jobs for blacks in Wisconsin. As manufacturing in Milwaukee declined, the black community suffered, more so than whites.

Figure 2.7 displays wage trends for African Americans and whites in Wisconsin and the United States (small samples of other minority groups make this long-term analysis impossible for any groups other than blacks and whites). The downward trend for blacks, especially in the 1980s, is unmistakable. There have been wage advances since then, but not enough to get workers back to 1979 levels. This compares poorly both to wage trends for whites in the state and to national trends for blacks. The late 1990s proved a bit more positive, with wages for both black men and women moving up. In recent years, the wages of blacks in the state have edged upward.

Black men in Wisconsin saw their wages fall dramatically between 1979 and 1995, a decline that erased the state’s once substantial wage advantage. Wages have moved slowly upward from 1995 to 2011 but remain well behind their 1979 position. Specifically, the median wage of black men in the state declined 17 percent over 1979 to 2011, while the national median wage of black men stagnated. In this way, the relative standing of Wisconsin’s black men slid substantially. In 1979, black men in Wisconsin enjoyed an 18 percent wage advantage over their national cohort, but by 2011 the advantage has been erased.
Black women in the state also suffered relative to national trends. Nationally, black women’s median wages grew by over 20 percent from 1979 to 2011. In Wisconsin, however, that wage increased just 2 percent, starting ahead of—but then converging with—the national median over the last 30 years.

THE EDUCATION GAP IN WAGES

In the United States, education increasingly drives wages. The pay-off to college and advanced degrees has grown over the last generation—those with degrees have moved ahead while those without degrees have been falling behind. These “increasing returns to education” mean that workers with college degrees or more do well, but those without two- or four-year college degrees rarely earn family-supporting wages. Access to the economic mainstream is increasingly found through college campuses. Figure 2.8 makes the growing educational stratification of wages in Wisconsin obvious. Wisconsinites with college degrees have seen wages move up, especially through the 1990s. And those with less education have lost ground.

Among Wisconsin men, those with four-year college degrees or more education saw their wages increase by 6 percent over 1979 to 2011. That’s good news for the nearly three in ten in the workforce who have these degrees. But for the seven in ten Wisconsin men without four-year degrees or more, the picture is one of nearly unrelieved wage stagnation and decline: over the last three decades, wages fell 31 percent for high school dropouts, 19 percent for high school graduates, and 10 percent for those with one to three years of post high school education. In 1979, a four-year college degree secured about 13 percent higher wages than a high school degree. By 2011, the pay-off to the four-year degree provided a median hourly wage 50 percent greater than the median male high school graduate.

Education pays off for men, but since 2005 it appears that a wage decline has set in even for men with four-year college degrees or more of education. Men’s median wage in the highest education group has dropped. While the returns to education are still substantial, they appear to be declining slightly. This trend will bear careful watching in coming years. Further, it provides evidence that Wisconsin’s men, who receive lower returns to years of education, may face declining incentives to pursue higher education, especially given the growing costs of four-year college and graduate degrees.
Wage trends are consistently more positive for women, with educational disparity growing just as dramatically. Women with four-year college degrees or more posted median increases of 36 percent over 1979 to 2011. But as with highly educated men, women with high levels of education have experienced wage stagnation since the early 2000s. And since almost 70 percent of working women do not hold four-year degrees, the past years have been less kind. Wages have increased 12 percent for women with some college experience and a little more than 10 percent for women with high school degrees. (Even these increases, however, leave median women earners who possess high school degrees, but are without four-year degrees, earning just $12.68 per hour.) Among high school dropouts, wages declined 16 percent. In 1979, women with four-year degrees earned 40 percent more than women who ended their education with a high school degree. In 2011, women with four-year degrees maintained a 72 percent wage advantage.

Figure 2.8 does contain some good news. First, women without any postsecondary education recovered the losses they posted during the 1980s—today their wages are about the same or higher than in 1979. Second, individuals with some college experience (though not a four-year college degree) have seen their wages grow in the past 16 years, though that growth was concentrated in the 1990s. Some of these are workers who have invested in acquiring additional skills—via associate degrees or occupation-specific training—and the labor market is rewarding their efforts.
THE POWER OF ASSOCIATE DEGREES: AN EDUCATIONAL BRIGHT SPOT

The strength of Wisconsin’s technical college system, hinted at in the previous section, is made clear by Table 2.3 and Figure 2.9. Here, we provide more details on the underlying makeup of the “some college” category used in the previous section. (Data with specifics on the “some college” category is available starting in 1992, so we start the series in Figure 2.9 that year.) The “some college” category can be broken into three groups: (1) those who have attended some amount of college at any type of postsecondary institution but have never completed a degree; (2) those who have completed an associate (AA) degree in an occupational or vocational area; and (3) those who have completed an academic AA degree. (The academic AA is generally used to transfer into a four-year degree program.)

**Table 2.3**
MEDIAN WAGES AND SHARE OF WORKFORCE BY EDUCATION, WISCONSIN AND U.S., 2011

<table>
<thead>
<tr>
<th>WAGE</th>
<th>Wisconsin</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than High School</td>
<td>$10.35</td>
<td>$10.28</td>
</tr>
<tr>
<td>High School</td>
<td>14.60</td>
<td>13.72</td>
</tr>
<tr>
<td>Some College, No Degree</td>
<td>13.49</td>
<td>14.07</td>
</tr>
<tr>
<td>Associate Degree</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupational/Vocational</td>
<td>17.90</td>
<td>17.09</td>
</tr>
<tr>
<td>Academic</td>
<td>17.79</td>
<td>17.58</td>
</tr>
<tr>
<td>Bachelor’s Degree or Higher</td>
<td>22.91</td>
<td>25.70</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SHARE</th>
<th>Wisconsin</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than High School</td>
<td>11.8%</td>
<td>16.1%</td>
</tr>
<tr>
<td>High School</td>
<td>31.9</td>
<td>29.7</td>
</tr>
<tr>
<td>Some College, No Degree</td>
<td>18.1</td>
<td>18.7</td>
</tr>
<tr>
<td>Associate Degree</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupational/Vocational</td>
<td>7.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Academic</td>
<td>3.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Bachelor’s Degree or Higher</td>
<td>26.8</td>
<td>26.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SHARE WITHIN ASSOCIATE DEGREES</th>
<th>Wisconsin</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational/Vocational</td>
<td>68.9%</td>
<td>45.4%</td>
</tr>
<tr>
<td>Academic</td>
<td>31.1%</td>
<td>54.6%</td>
</tr>
</tbody>
</table>

COWS analysis of CPS ORG data
These divisions make some very important distinctions among the “some college” group. Both nationally and in the state, getting some time at college without completing a degree has almost no pay-off for workers. Indeed in Wisconsin, the group with some college but no degree earns less ($13.49 per hour) than the median earned by high school graduates ($14.60 per hour), and this “some college” wage disadvantage relative to high school graduates has grown slightly over time. The real wage pay-off in the “some college” group is reserved for those who complete associate degrees. Wisconsin’s technical college advantage is clear in the associate degree earnings. Our associate degrees, especially our occupational associate degrees, offer a very strong pay-off for workers. The median wage for Wisconsin workers with occupational associate degrees was $17.90 compared to $17.09 nationally. Academic associate degrees also pay off for Wisconsin workers, with a median of $17.79 per hour. Since 1992, workers with associate degrees have done better than every education group except for those with four-year college degrees or more.

Finally, and perhaps most important, nearly 8 percent of Wisconsin’s workers hold an occupational AA degree—twice the national share. Wisconsin’s technical college system produces substantially more occupational associate degrees than other states, and those degrees produce better wages than they do in other states. This is a testament to the strong vocational training system that we have in the state and the connections that our colleges have to leading employers.

figure 2.9
MEDIAN WAGES BY EDUCATIONAL ATTAINMENT, WISCONSIN, 1992-2011

COWS analysis of CPS data
Industry and occupation have a powerful influence on wages for Wisconsin workers. Table 2.4 makes this influence clear. Industry and occupation are closely related, but they offer distinct ways of breaking up the labor force. “Industry” groups employers in terms of their products and services. For example, “leisure and hospitality” includes all workers who are employed by hotels, motels, restaurants, and other similar establishments. The industry includes everyone from hotel managers to wait staff at local restaurants. “Occupation” groups workers together on the basis of the sort of work they do, regardless of industry. For example, “office and administrative support occupations” can be found in all industries, as manufacturing plants, hospitals, hotels, and schools all employ administrative and office workers.

Beginning with industry, Wisconsin’s highest median wage industry is now public administration ($22.66), followed by construction ($21.11). At the other extreme, leisure and hospitality ($9.00) and agriculture ($10.30) offer the state’s lowest median wages. These industries are dominated by very low-paying jobs, often with only seasonal demand. In between these extremes are the industries that employ the bulk of Wisconsin workers.

Turning to occupation—the work that people do—we find significant wage disparity again. Wisconsin’s highest-paying jobs are found in management ($23.99) and professional occupations ($22.67). The state’s lowest-paying occupations include farming ($10.26) and service occupations ($10.78). Offering slightly higher wages, sales ($12.52), transportation ($14.22), and office work ($15.25) are key occupations, especially for women.
UNIONS AND WAGES IN WISCONSIN

Unions have played a critical role in Wisconsin’s economic history, helping secure better wages and working conditions for their members and for workers throughout the state. This history, including Wisconsin’s history as the state with the longest-standing public-sector union laws, came into focus starting in February 2011, when then newly-elected Governor Scott Walker announced a bill to gut those laws and overturn Wisconsin’s union history. Since then, Act 10—passed in spite of mass mobilization against it—has dramatically cut public-sector union membership.

Act 10 was very carefully designed to make the operation of public-sector unions nearly impossible. The wage and benefit concessions were the most evident and discussed of the policy changes, but the design of the bill itself undermined unions in more important ways. First, public-sector unions in Wisconsin can no longer bargain over any issue other than wages—not safety or working conditions, not benefits. Second, the negotiated wage increases cannot exceed the rate of inflation. Third, union employers were disallowed from collecting union dues in paychecks, even when a signed card states a worker’s interest in such collection. Fourth, each public-sector bargaining unit is required to annually recertify the unit through an election in which the union must receive votes from at least 51 percent of all members of the unit, whether or not all members of the unit vote. (This standard far exceeds the norm in political and labor elections of winning on the basis of the votes actually cast.) While key provisions of the bill are still being argued in court (specifically, the 51 percent of the entire unit standard for winning, and the inability of employers to withhold dues), the effect of the bill was dramatic. Many unions did not seek to recertify under these terms, and public-sector union membership is falling dramatically.

The most recent available data on union status, from 2011, does not yet show the effect of our altered union landscape. We will have to wait another year to see the real impact of the new public-sector union laws. But, to provide a baseline and a context, we offer Wisconsin union data from 2011. In 2011, Wisconsin had about 339,000 union members, giving the state the 18th most heavily unionized workforce in the nation. Unionization both in Wisconsin and the U.S. declined dramatically over the last 30 years even before the anti-union legislation. The share of workers in unions fell from 24 percent in the early 1980s to just 13

ARE PUBLIC-SECTOR WORKERS OVERPAID?

Industry data show that public administration workers have high earnings. Does this mean that public-sector workers are overpaid? No. The Economic Policy Institute in Washington DC released an analysis of the wages of public- and private-sector workers in the state of Wisconsin, finding that public workers here are slightly underpaid relative to their private-sector counterparts. Higher wages in the public sector owe principally to the higher educational requirements of public administration jobs.

Learn more about how the wages of Wisconsin’s public-sector workforce compare in our report, Wisconsin’s Public Employees: A Foundation for Quality of Life in the State, available at www.cows.org.
percent today (Figure 2.10). As in the rest of the country, this decline has been driven by the abrupt fall in private-sector unionization; in the state, only 7 percent of private-sector workers belong to a union. Until this last year, public-sector unions were quite strong in Wisconsin with more than half of public-sector workers in the state belonging to unions.

The decline in unions contributes to the decline in wages documented in this chapter, as union members earn higher wages than their nonunion counterparts, both in the private and in the public sector (Figure 2.11). Further, unionization has a positive effect on nonunion workers’ wages. When union membership is higher, even nonunion employers need to pay something approaching the union rate to attract and keep skilled workers. But these positive effects on wages occur only if unions have a sufficient share of the workforce organized. As membership declines, unions’ ability to deliver wages for their members and to generate positive “spillover” effects to nonunion workers wanes as well.

The positive effects of unionization decline dramatically as union density declines. The loss of union power in recent decades has had a negative impact on Wisconsin workers, whether they are unionized or not. Long-term decline in Wisconsin’s unions is one important reason why wages have hardly improved in the last quarter century, in spite of the sustained increase in workers’ productivity over that period.
Here we focus on the state’s lowest-paying jobs and the workers who hold them. To look at the bottom of Wisconsin’s labor market, we set a threshold at the poverty wage, $10.97 per hour (see definition at right) and show trends for workers in poverty-wage jobs. In 2011, more than one in five workers in Wisconsin toiled in poverty-wage jobs. The standard of living such jobs afford is meager at best: a full-time, year-round worker earning less than $10.97 does not make enough money to keep a family of four out of poverty.

For many of these workers, commitment to work is not enough to sustain their families. These jobs not only come with low wages but also are some of the most unpredictable for workers, many of whom work “on call” at the pleasure of their employer. Further, poverty-wage jobs rarely provide health insurance, pensions, or even paid sick leave or days off. Poverty-wage jobs are a problem for women, increasingly for men, and an acute problem for blacks in the state, as well as those who have no education after high school.

Poverty-wage jobs have grown as low-wage service industries, part-time, entry-level, and/or nonunion jobs have expanded. The national recovery has exacerbated the problem, as the strongest growth over the last few years has been in poverty-wage industries such as leisure and hospitality and business services (which includes temp agencies). These findings should strengthen our resolve to form a more aggressive policy agenda on this critical problem in the state.

TRENDS IN POVERTY-WAGE JOBS

Table 3.1 (next page) shows the stubborn persistence of poverty-wage employment in Wisconsin over the last 30 years. In both 1979 and 2011, more than one in five Wisconsin workers held a poverty-wage job. Because workers in 2011 were more productive and more educated than in 1979, one might expect a declining share of workers in these jobs. Unfortunately, we see only stagnation. This consistency does not mean, however, that the share of poverty-wage jobs has been consistent across the entire period. From 1979 to 1989, the poverty-wage share actually increased to almost one in three workers (30 percent). The last years of the 1990s reversed the trend; poverty-wage employment receded during those years, dropping back to 19.2 percent of all jobs in the state by 2000. After 2000, however, the share in poverty-wage jobs grew slightly to stand at 23 percent in 2011. Even among full-time workers,

Fast Facts

- Share of WI workers earning poverty wages, 2011: 23%
- Share of WI workers with an AA degree earning poverty wages, 2011: 15%
- Share of WI black women earning poverty wages, 2011: 25%

DEFINING “POVERTY-WAGE” JOBS

We define poverty-wage jobs as those paying a wage that is 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. In 2011 dollars, the “poverty wage” was $10.97 an hour or less; if someone worked full-time for the entire year at this wage, his/her annual earnings would be $22,811.

Of course, this definition of “poverty wage” is somewhat arbitrary. We could have chosen the poverty line for a family of two, or five, or some other wage level entirely. And not all workers who earn “poverty wages” are actually living in poverty. They may be part of a household or family that has other earners on whom they can rely for support. Our interest here is to track job quality.
poverty-wage work is common with nearly one in seven full-time workers earning poverty wages.

As with median wages, aggregate trends can be misleading. Different demographic groups have experienced quite different trends over the last generation. We show trends for key race and gender categories in Figure 3.1. Among the four groups, both white and black women show the most consistent decline in poverty-wage jobs over time. White women are still more likely to hold poverty-wage jobs than white men, but while in 1979 they were 3.5 times more likely to hold such jobs, in 2011 they were just 1.5 times as likely. Even with this positive trend, in 2011 more than one in four white women in Wisconsin earned poverty wages. Black women’s progress brought their share to one in four as well.

White men, on the other hand, have the lowest level of poverty-wage work, but there has been growth in their chances of holding these jobs. In 1979, just one in ten white men held poverty-wage jobs. The share grew to a high of 20 percent in the 1980s, then fell back to 10 percent from 1995 to 2000. Since 2001, however, the share of white men in poverty-wage jobs has steadily grown to the 2011 level of 17 percent.

The experience of black men shows the most negative trend. As for white men, the worst years for black men were the 1980s and early 1990s. The economic growth of the late 1990s substantially reduced poverty-wage work among blacks. However, African American men are more likely to hold poverty-wage jobs today than in 2000, with more than one in four black men earning poverty wages in 2011.
Table 3.1 makes clear that education helps workers avoid poverty-wage work and that workers without high school degrees suffered the greatest increases in poverty-wage jobs. In 2011, 54 percent of high school dropouts in the state earned poverty wages, a rate of poverty-wage employment twice that posted by the same group in 1979. High school graduates fared better but still posted increases in the proportions holding poverty-wage jobs over the past two decades. Today over one in four high school graduates find themselves in very low-paying jobs. Some college education without completion of a degree appears to offer little help in the labor market. Some 36 percent of workers reporting some college but no four-year degree work in poverty-wage jobs. On the other hand, completion of an associate degree has obvious and positive effects: just 15 percent of associate degree holders earn poverty-level wages.

Poverty-wage jobs are an enduring reality of Wisconsin’s economic landscape and describe the pay of one in five workers. Moreover, despite positive trends in the last years of the 1990s, white and black men and black women were more likely to earn poverty wages in 2011 than they were in 1979. Workers with four-year college degrees largely do not face poverty-wage employment, but even their chances have grown since 1979.
LOW WAGES, FEW BENEFITS

In general, poverty-wage jobs offer very little to their workers beyond their meager wages. Employer-provided benefits like health insurance and pensions are rare. Figure 3.2 shows that only 23 percent of workers holding poverty-wage jobs receive health care insurance through their employers. In better-paying jobs, 63 percent of workers get health care coverage through work. Since only some of the very poor are eligible for Medicaid and BadgerCare (the public programs that provide health care for the uninsured), poverty-wage workers run a very high risk of having to do without any coverage whatsoever. National health care reform will make health insurance more accessible to those in poverty-wage jobs, but only if the state carefully implements the policy. The next years will be critical ones for solving the health insurance problem for poverty-wage workers.

Turning to pensions, just 20 percent of poverty-wage workers actually participate in their employer-provided pension benefit, but 64 percent of higher-wage workers participate. Workers in poverty-wage jobs face the insecurity of low wages. Many of them also find that insecurity compounded by a lack of benefits like health insurance and pensions. Indeed, these workers often do not even have more basic benefits like paid sick days or vacation.

Figure 3.2
WISCONSIN COVERAGE BY EMPLOYER-PROVIDED BENEFITS, 2008-2009

EPI analysis of CPS Annual Social and Economic Supplement data
WHAT MAKES FOR BAD JOB QUALITY

Low Hours, No Unions, and Occupations

A better understanding of poverty-wage jobs requires us to look beyond the fact that they don’t pay well. There are several systemic factors that make for low-wage employment, which can help clarify the steps that Wisconsin policymakers need to take in order to solve the “bad jobs” problem. First, as we’ve just shown, poverty-wage jobs tend to offer few health or pension benefits. Second, low-paying service industries play a strong and expanding role in the state’s economy and generate a significant portion of Wisconsin’s jobs. Third, poverty-wage earners tend to work part-time, in entry-level positions, and in nonunion workplaces, making the work less stable and supporting a family more difficult. And finally, low-wage jobs can trap some workers in chronically low-paying work, leading to low-wage careers over the long run.

In the following analyses, we compare two groups of Wisconsin workers: those in poverty-wage jobs and those in what we will refer to as “higher-wage” jobs (wages greater than $10.97 per hour).

Poverty-wage workers face difficulties making ends meet, and not only because they earn low wages. First, poverty-wage work is less stable in terms of weekly and annual hours of work, which means that low-wage workers often bounce through a series of short-lived jobs. Table 3.2 (next page) shows that part-time workers are much more likely to earn poverty-level wages than their full-time counterparts. Indeed, considering all workers in poverty-wage jobs, more than half are part-time workers, while only 14 percent of higher-wage workers are part-timers. Moreover, while our data do not have information on weeks worked during the year, other studies have shown that part-time jobs tend to be part-year jobs as well. Access to stable, long-term employment is a serious problem at the bottom of the wage distribution. The instability of this work is part of the reason that health and pension benefits are so unlikely in poverty-wage jobs.

Table 3.2 shows also that poverty-wage jobs are much less likely to be unionized—not surprising, since unions are often able to bargain for higher wages. Still, the gap in representation is striking. In 2011, only 4 percent of poverty-wage workers held union jobs, compared to a 17 percent unionization rate among higher-wage workers.
Finally, jobs that don’t pay well tend to consist of entry-level and frontline positions. In Table 3.2 we see that poverty-wage workers were more likely to hold service and sales jobs than higher-wage workers (37 and 15 percent as compared to 10 and 8 percent, respectively), and less likely to be managers (4 percent as compared to 16 percent) and professionals (7 percent as compared to 27 percent).

<table>
<thead>
<tr>
<th></th>
<th>Workers with Poverty-Wage Jobs (wage $10.97/hr.)</th>
<th>Workers with Higher-Wage Jobs (wage &gt;$10.97/hr.)</th>
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</thead>
<tbody>
<tr>
<td>Part-Time</td>
<td>52.0%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Union Member</td>
<td>4.0</td>
<td>17.2</td>
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<tr>
<td>Percent in Occupation</td>
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<tr>
<td>Management, Business, and Financial Occupations</td>
<td>4.4%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Professional and Related Occupations</td>
<td>6.5</td>
<td>26.8</td>
</tr>
<tr>
<td>Service Occupations</td>
<td>37.2</td>
<td>10.4</td>
</tr>
<tr>
<td>Sales and Related Occupations</td>
<td>15.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Office and Administrative Support Occupations</td>
<td>13.9</td>
<td>14.8</td>
</tr>
<tr>
<td>Farming, Fishing, and Forestry Occupations</td>
<td>2.3</td>
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<td>Construction and Extraction Occupinations</td>
<td>1.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Installation, Maintenance, and Repair Occupations</td>
<td>1.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Production Occupations</td>
<td>8.7</td>
<td>10.5</td>
</tr>
<tr>
<td>Transportation and Material Moving Occupations</td>
<td>91</td>
<td>6.3</td>
</tr>
</tbody>
</table>

COWS analysis of CPS data
Standards of living in Wisconsin have come under intense pressure in the last decade. In this chapter we focus on income—the flow of money that must cover expenses from housing and health care to hockey and hamburgers. While “income” accounts for all sources of cash coming into a family, for working families income is mostly generated in the labor market through family members’ wages and hours of work. That income is the principal resource to pay the costs that support a decent life. “Poverty” measures the share of Wisconsinites whose income falls below a very low standard. Median income data allow us to see if overall economic growth is actually helping families at the middle of Wisconsin’s economy. Poverty data allow us to see if economic opportunity extends to those who need it most.

The 21st-century income picture—both in the nation and the state—is grim and unprecedented in the post-war period. Real income for families and households is below the benchmark set in 2000 with the most significant losses posted in recent years. The Great Recession hit families before their incomes had recovered from the 2001 recession. Worse, the Great Recession and weak recovery from it is clearly taking a toll on family income, even five years after the downturn began. Taken together, weak job growth and wage stagnation are leaving families even at the middle of the labor market not only with a sense of insecurity, but also with fewer financial resources.

Nowhere is the struggle to make ends meet more apparent than for Wisconsin’s families living in poverty. For them, job losses, stagnant income, and unstable jobs are forcing painful choices among necessities like food, rent, and health care. Ten percent of Wisconsin residents and 14 percent of Wisconsin children live in poverty—a living standard that is so low that few can imagine getting by. And work is not enough to overcome the problem. A quarter of Wisconsin families with a steady commitment to work do not earn enough to comfortably support their families.

**Fast Facts**

- **Change in WI median four-person family income from 2000 to 2010:** -$8,364
- **Share of children in WI who live in poverty, 2010:** 14%
- **Share of all Wisconsinites who live in poverty, 2010:** 10%
INCOME DOWN FOR WISCONSIN’S FOUR-PERSON FAMILIES

Inflation-adjusted median income data for four-person families from 1980 to 2010 are shown in Figure 4.1 and Table 4.1. Wisconsin’s median four-person family income mirrors trends in national income, though Wisconsin moved ahead in the late 1990s and remains above the national average. In 2010, Wisconsin’s four-person median ($76,117) exceeded the national ($72,767) by roughly $3,300.

But the relative performance of Wisconsin is less relevant than the miserable performance of income both in the state and nation over the last decade. This breaks from steady growth over previous decades. Adjusting for inflation, median income for four-person families is nearly $8,500 lower now than it was at the start of the decade, down from almost $84,500 in 2000 to $76,000 in 2010. Both the 1980s and 1990s produced substantial gains in median income. From 2000 to 2010, however, income has been on the slide, falling by 9.9 percent in Wisconsin and 7.6 percent nationally.

figure 4.1
MEDIAN FOUR-PERSON FAMILY INCOME, WISCONSIN AND U.S., 1980-2010 (three-year moving averages; 2010 dollars)

U.S. Census Bureau, CPS and ACS; data series changes from CPS to ACS in 2004-2005.
The trends over time are similar to those in other states in the region. Like Wisconsin, our neighbors posted slow growth in the 1980s and surged in the 1990s. Iowa was hit hardest during the 1980s, while Wisconsin, Michigan, Ohio, Minnesota, and Illinois fared better. In the 1990s, these same states posted growth rates significantly higher than national growth. Wisconsin, Illinois, and Indiana grew more slowly, but they still grew faster than the national rate.

This decade has been devastating throughout the Midwest. Michigan and Indiana have been the hardest hit, with family income down by nearly $17,000 in Michigan. Wisconsin’s losses were not as severe, putting us in the middle of the regional experience. Families in Iowa and Minnesota have fared slightly better.

table 4.1
MEDIAN INCOME FOR FOUR-PERSON FAMILIES, WISCONSIN, U.S., AND PEER STATES, 1980-2010
2010 dollars

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U.S. Census Bureau, CPS and ACS; data series changes from CPS to ACS in 2004-2005.
HOUSEHOLD INCOME ALSO BELOW 2000

The dramatic negative trend in four-person family income over recent years defies expectations, but the state’s households also mirror the significant decline of four-person family income.

Offering income data for different populations requires some clarity on definitions of these sub-groups. “Household” is the most inclusive population definition and covers those who live alone as well as unrelated people who share a residence. There are some 2,279,768 households in Wisconsin and their median income in 2010 was $52,115. Households include many retired singles and couples with very low income. This is one reason household income is so much lower than four-person family income. “Families” are defined as any residence of two or more related individuals. “Four-person families” are a subset of the family category. In general, “four-person families” have two adults in the unit and their income is higher because of the greater hours of work that they commit to the labor market.

Figure 4.2 shows that median income is down in Wisconsin for households and four-person families. The new millennium has ushered in serious income decline for households, especially concentrated in the years 2008 to 2010, just as it has for four-person families.
FAMILY HOURS OF WORK

Even with declines, our median income still exceeds national income (see Figure 4.1). If our median wages are just at the national level, how is our family income above it? The state's commitment to work substantially exceeds the national rate (by almost five percentage points, as shown in Table 1.7). Wisconsin families—especially women—are more likely to work and work more hours per year than the average, providing higher income to families in the state.

Data on family hours of work make Wisconsin's extra hours in the labor market clear and also help explain declining income in recent years. Figure 4.3 shows average hours of work for families with two parents for both Wisconsin and the nation. Wisconsin's extra commitment to work is clear throughout as is the severity of the 1980s recession, which briefly collapsed the gap between Wisconsin and national family hours of work. For much of the late 1990s, Wisconsin's families committed nearly 4,000 hours to the labor market, which is just short of full-time work for both adults. The recession has curtailed family hours of work with a decline clear nationally, but it is especially pronounced over the last few years in Wisconsin.

Family hours of work can decline for a number of reasons, but the recent declines are almost certainly the result of Wisconsin's weak labor market. First of all, workers are much less likely to have overtime, adding extra work and income, than they were in the late 1990s. Also, some workers are looking for full-time work but can only get part-time hours, so hours have fallen that way as well. And more families, of course, have an unemployed worker, again dragging family hours of work down. And the decline in family hours of work is one reason for the decline in family income that we have documented previously.

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**Figure 4.3**

**AVERAGE TOTAL FAMILY HOURS OF WORK, TWO-PARENT FAMILIES, WISCONSIN AND U.S., 1978-2010 (three-year moving averages)**

EPI analysis of CPS data
FAMILY EXPENDITURE DATA SHOWS WHERE THE MONEY GOES

Annual expenditure data allow some insight into how family income is spent. These data, presented in Figure 4.4, are not available at the state level but are available for the Midwest region. Housing is the largest single category for expenditure, accounting for 25 percent of annual expenditures in the Midwest. Transportation costs account for 16 percent of personal expenditures in the region. Housing and transportation together consume just over four of every ten dollars a family spends in this region. Utilities, fuels, and public services account for another 7 percent of total household expenditures. Personal insurance and pensions are another significant area of expenditure (12 percent of total), as is, increasingly, health care (7 percent).

Given wage and income stagnation and the state’s serious jobs deficit, it may be awhile before we see income really begin to increase. In the meantime, increasing attention must be paid to improving standards of living for Wisconsin families by reducing the cost of living. Making transportation more affordable and increasing energy efficiency of housing stock are two ways to put money back in the pockets of Wisconsin’s working families.

POVERTY IN WISCONSIN

To live in “poverty” means to survive on income that scarcely supports even the most minimal standard of living. A family of four in 2011 is said to be in poverty if their income falls below $22,811 per year. The text box on the next page offers a more thorough discussion of the history of the definition; the bottom line is that the income established by the federal poverty standard is woefully inadequate to cover basic needs, especially in urban areas.
For most of the last generation, Wisconsin has posted relatively low poverty rates, as Figure 4.5 shows. This relatively low poverty rate was one of the strengths of our economy. From 2000 to 2004, poverty in Wisconsin grew substantially and moved close to the U.S. standard. More recent data over 2004 to 2010 shows a more positive trend, with Wisconsin falling below the national rate. In 2010, poverty in the state stood at about 10 percent; nearly 600,000 of the state’s residents faced the daily stress of impoverishment. The national rate in 2010 was just about 15 percent.

Children, who are among the most vulnerable in society, are much more likely to be poor than adults. Figure 4.6 shows the poverty rate for children from 1980 to 2010. As has been the case with the total poverty rate, the child poverty rate in the state has generally hovered below the national rate. In 2010, 14 percent of the state’s children lived in poverty. One in seven children in the state are growing up in situations of serious deprivation, many of them inadequately housed or fed and facing other stresses that are hard to carry, especially on such vulnerable shoulders.

**FEDERAL POVERTY THRESHOLDS, 2011**

- **$11,702** for one individual under 65
- **$15,504** for a family with one parent and one child
- **$18,123** for a family with one parent and two children
- **$22,811** for a family with two parents and two children

**DEFINING AND MEASURING POVERTY**

The current federal “poverty line,” adopted more than 40 years ago, was constructed by multiplying a family’s subsistence food budget by three. A lot has changed since the guideline was established, not least that food has fallen from one-third to one-fifth of a family’s budget. That shift means that the poverty threshold is more out of touch with family needs each year. We could measure poverty better and develop a threshold that takes into account increasing housing, transportation, and health costs and adjusts for regional cost-of-living differences.

Some progress has been made toward implementing a new measure, but for now we report using the outdated poverty line. Although flawed, it does allow us to generate data on the very lowest-income Americans and to examine the status of those families over the past four decades.
WORKING AND POOR IN WISCONSIN

Given the inadequacy of the federal poverty line, some contend that the minimum amount a family needs to avoid substantial material stress and deprivation is—at the very least—twice as much. It has become common to use twice the poverty line to compute a more realistic estimate of how many people do not make enough money to sustain a minimally decent standard of living. Figure 4.7 shows the evolution over time of the share of the population with total income below twice the poverty line. In 2010, more than one in four families fell below this benchmark. And the trend over the last decade has been consistently increasing for families in this situation. We are still below national levels in Wisconsin, but our trend and the national trend are both disturbing.

CONCLUSION

The 2010 data on income, showing serious decline in income in the U.S. and a worse trend in Wisconsin, prove that the weak economy is taking a toll on families in Wisconsin. Families are increasingly concerned about the economy and their own security in it. Rightly so, as this income and poverty data make abundantly clear.
Usually, we close *The State of Working Wisconsin* with policy ideas—our thoughts on ways to improve the lives of working people in the state. This year we take a different approach and close with just a bit more data that, we think, elegantly and depressingly summarize the deep challenges confronting our state.

Figure 5.1 shows 2001 and 2012 data on the share of students in Wisconsin school districts that have family income low enough to qualify for free and reduced-price lunch.

The first map shows the data for 2001. At that time, the state had some dark patches, where more than 40 percent of students qualified for free and reduced-price lunch. But lighter colors predominate. In many districts, especially on the eastern side of the state, less than 10 percent of students qualified for free and reduced-price lunch.

The second map shows the same measure of need for school districts in 2012. The map is awash in color. Very few districts maintain the comfortable position of less than 10 percent of students eligible for free and reduced-price lunch. Many districts face free and reduced rates at the 40 percent level or higher. The change across the decade is dramatic, obvious, and surprising even to us.
WHAT THESE MAPS SAY ABOUT WISCONSIN AND OUR CHALLENGES

We focus on these two maps in closing *The State of Working Wisconsin* for a number of reasons.

First, these maps confirm the significant decline in family income we’ve already documented for this decade (Chapter 4). While the maps confirm data we’ve already discussed, they provide a more intuitive approach to the change. And they show the broad geographic spread of Wisconsin family income decline. In 2012, families with kids in school are in greater financial distress all across the state—in our urban centers and rural areas, in the woods and river valleys, in the rolling hills of our dairies, in bastions of conservative and liberal thought. The income decline has known no boundaries in this state, and families with children are much more likely than they were in 2001 to be working hard to make their income cover even the most basic expenses.

...families with kids in school are in greater financial distress all across the state—in our urban centers and rural areas, in the woods and river valleys, in the rolling hills of our dairies, in bastions of conservative and liberal thought.

Further, these figures put the faces of children directly at the center of income decline. Family income statistics sound dry and abstract, but they imply a direct decline of the material decency of kids’ lives. This provides a more instinctive understanding of what income decline means. The free and reduced-price lunch program is needed because too often families with low income simply cannot provide the food that their children need to learn and grow. That so many more of Wisconsin’s children need help just to fill their stomachs is distressing to say the least. When family income falls, children suffer. This map provides a greater focus on the increasing suffering of students, reminding us all that family income (or any other data in this report) is not just an abstract number, but rather a real statement of quality of life.

These two maps also help illuminate the intertwining of all our fates, regardless of income status. In public schools, the spread of financial stress is affecting
more kids, which then undermines the learning environment for all kids. Teachers work with all their students. As their students become more distracted by family stress or less able to concentrate because of financial issues at home, teachers must work harder to help those students learn. And when more students need extra help to succeed at school, there are fewer resources for even those students who are not facing such precarious income situations. In every corner of Wisconsin, districts are facing increasing needs in their student populations. That puts stress not only on needy children but also on the learning environment, thereby affecting all children.

As family income has fallen, so has state and local revenue, so that over the last ten years, need has gone up in our schools but our investment in them has actually fallen. This is an especially harsh reality, because that teacher who is facing a poorer and more stressed and distracted student population is also dealing with larger classes; or outdated books; or insufficient technical, counseling, or health support. Teachers’ jobs are getting harder, and the resources to support their work with the student population are slipping. This year their wages and collective-bargaining rights slid dramatically as well.

Finally, if there is one thing we can agree on, it is that the future of this

SOME POLICIES FOR A STRONGER WORKING WISCONSIN

COWS’ report, Wisconsin Jobs and Low-Income Working Families: Toward Stronger Standards, Skills, and Supports, provides a comprehensive policy agenda for improving the state of working Wisconsin. The policy ideas are summarized briefly here. For more details, see the report at www.cows.org.

Grow Wisconsin Jobs, Quality Jobs

- Raise and Index the State’s Minimum Wage
- Strengthen the Enforcement of Wage and Hour Standards
- Require and Monitor Job Quality in State Economic Deals
- Focus Public Purchasing Power on Job Quality
- Build Jobs While Pursuing Energy Efficiency
- Get Creative about Job Creation

Build Skills for Stronger Opportunity and a Stronger Economy

- Continue to Build Career Pathways in Wisconsin
- Enhance Resources for Skill Building and Training for Working Adults

Support Working Families: Current Policy Undermining Historic Strength

- Expand Funding and Maintain or Extend Eligibility for BadgerCare, Wisconsin’s Health Insurance for Low-Income Working Families
- Expand Funding for and Maintain Eligibility for WisconsinShares, Wisconsin’s Child Care Subsidy Support for Low-Income Working Families
state is being built in our public school system today. Children—often called
our most precious natural resource—are not doing well. Their family income
is in decline. Their school classrooms are increasingly stressed, both because
the needs of their classmates are growing and because the resources to support
them are in decline.

Wisconsin faces a choice today about what sort of future we want for our state.
It is about our children and our schools, narrowly. But more broadly, that choice
is about whether we will continue to become more private and divided. Or
whether we will once again embrace common purpose in our communities and
commit to and invest in that collective future.
This edition of *The State of Working Wisconsin* relies on a wide range of data sources. The specific source (or sources) relied on for any given table or figure is identified below the figure or table in question. In this section we define the abbreviations used in tables and figures to refer to our sources, discuss those sources for which some methodological detail and description are required, and explain some other methodological issues.

**THE CURRENT POPULATION SURVEY**

Our primary source is annual compilations of the Current Population Survey (CPS), which is conducted jointly by the U.S. Bureau of Labor Statistics (BLS) and the U.S. Census Bureau. From these, the National Bureau of Economic Research (NBER) develops the CPS Outgoing Rotation Group (CPS ORG) file, which contains earnings questions only given to a subset of respondents. We relied on a version of the CPS ORG developed by the Economic Policy Institute (EPI) for almost all of our tabulations and calculations. For unemployment, underemployment, and labor force participation, EPI provided us with calculations based on data from the full monthly CPS sample.

We base our analysis of wages on CPS ORG data because it is the best source for analyzing state- and national-level trends. Unlike the “average wage” series produced by the U.S. Department of Labor, CPS data permit calculation of individual hourly earnings and the linkage of earnings to demographic characteristics such as race, sex, and educational attainment. The CPS sample also includes a wide range of workers and employment situations and permits comparison between Wisconsin workers and those elsewhere.

The sample used for all analyses involving wages includes all wage and salary workers with valid wage and hour data. In the CPS, respondents answer the question regarding wages in one of two ways. If they are paid an hourly wage, they simply report that wage. If they are paid on a salary basis, they report their weekly earnings and their usual hours of work in a given week. To estimate their hourly wage, we then divide earnings by usual hours. For wage estimates, we include all respondents between the ages of 18 and 64 but exclude the unincorporated self-employed. In the cases of labor force participation and unemployment, we include all respondents ages 16 and older. CPS demographic weights were applied to make the sample representative of the population.
In 1994, the CPS altered its education question. Up until then, CPS respondents were asked their highest grade completed. Since then, they have been asked the highest degree received. Although not perfectly equivalent, these two schemes provide reasonable consistency, especially given the broad educational groups we use in our analyses. Here, we usually group individuals into four educational categories: less than high school, high school graduates, people with some college, and college graduates. In the years before 1994, we assign individuals with less than 12 years of schooling to the first category, those with 12 years to the second, those with 13 to 15 to the third, and those with 16 or more to the fourth. For years after 1994, the assignment of those reporting high school or college degrees is straightforward. Those who report no degree are classed as “less than high school,” and those reporting any of a range of technical or associate degrees are classed in the “some college” category, as are those who report having begun college but not having completed it.

This is the fourth time we have analyzed the effects of associate degrees on earnings. Although in most of the report we use the four categories above, in one section we break down those with some college into three categories: those who have had some college but have not attained a degree; those who obtained an academic associate degree; and those that obtained an occupational or vocational associate degree. For instances where this was done, see Table 2.3 and Figure 2.9.

We also make use of the CPS Annual Social and Economic Supplement, or March supplement. This supplement contains data on pension and health care coverage as well as earnings from the previous year.

Data on unionization in Wisconsin comes from unionstats.com, which is maintained by Prof. Barry Hirsch of Trinity University and Prof. David Macpherson of Florida State University. They use the CPS ORG for their calculations.

OTHER SOURCES

We have used data on employment levels from the Current Employment Statistics (CES) program of the BLS. Some of these data were supplied to us indirectly by the Economic Policy Institute. We have also used data from the Covered Employment and Wages program, which is a joint program of the Wisconsin Department of Workforce Development (DWD) and the BLS. In the recent political season there has been some confusion regarding the
accuracy of the CES, especially as it has been compared to the Quarterly Survey of Employment and Wages (QCEW). In order to clarify these issues, as well as to explain differences in the two data sources, this year we have included a technical note online (www.cows.org/soww) comparing the CES and QCEW as well as explaining each in greater detail.

Data on per capita personal incomes and on gross state product are from the U.S. Bureau of Economic Analysis (BEA).

For data on the population, and on the race and ethnic breakdown thereof, we have used the U.S. Decennial Censuses.

The data on consumer expenditures reported in Chapter 4 are from the BLS' Consumer Expenditure Survey. To avoid confusion with the Current Employment Statistics, we do not abbreviate the Consumer Expenditure Survey as a source.

**REAL MEDIAN WAGES**

In general, we present trends in real median hourly wages. “Real” means inflation adjusted—in our case, through the Consumer Price Index Research Series Using Current Methods, or CPI-U-RS. “Median” means the center of a distribution, with exactly half the distribution above and half below it. The alternative expression of average wage trends is in terms of an actual average, or “mean,” calculated simply by taking all wages for a population and dividing by its number of members. We prefer the median to the mean, because the mean can mislead; a few very high-earning individuals can raise the mean so that it does not represent the center of the distribution. In the comparison of Wisconsin to the nation, moreover, the use of means artificially disfavors us on grounds of which we should be proud: we have a comparatively equal distribution of earnings and so less opportunity for such upward distortion. Compared to the rest of the nation, then, Wisconsin’s mean wages look worse than our median wages do, but only because we have less inequality.
ACKNOWLEDGEMENTS

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ABOUT COWS

The Center on Wisconsin Strategy (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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