INTRODUCTION

For more than two decades now, annually, on Labor Day, COWS reports on how working people are faring in the state. *The State of Working Wisconsin*, released biannually on even-numbered years since 1996, is our long-form report, and looks at the economy comprehensively from a working-family perspective. In odd-numbered years, also biannually, we provide a more abbreviated and focused report, called *The State Working Wisconsin: Facts & Figures*.

In this year’s report, we provide our overview of some of the most critical issues facing working people in the state. The issues, taken together, are daunting – slow growth in the Wisconsin labor market, long-term stagnation in wages, extreme black/white disparity, increasing income inequality, and declining unionization. The report provides a chance to take stock of what the data say about working people in Wisconsin.

To be sure, there is good news for workers in the state. Unemployment is low and the economy is steadily adding jobs. Given the brutal aftermath of the Great Recession, the low unemployment rate is good news indeed.

But unemployment rate, so often touted by the Governor, is just one indicator; other data helps draw a picture that is more nuanced and markedly less worthy of celebration. Even the rate of unemployment, low overall, is unevenly distributed: in Wisconsin, African American's are nearly three times more likely to be unemployed than whites. Our job growth is steady, but falls short of the national pace. As we've long documented, the generational context of slow wage growth and increasing inequality are real and pressing issues in the state as well.

*The State of Working Wisconsin 2017: Facts & Figures* provides data on the state of working Wisconsin with attention to:

1. Jobs • Pg 2-3
2. Unemployment • Pg 4
3. Wages • Pg 5
4. Inequality • Pg 6-7
5. Unions • Pg 8-9
**Falling Behind**

For this analysis of jobs, we draw on the Quarterly Census of Employment and Wages (QCEW) which provides the most comprehensive data on jobs in the state of Wisconsin. 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 more familiar monthly estimated employment series (Current Employment Statistics). Both the CES and QCEW yield a similar picture.

Wisconsin’s relative underperformance in private sector job growth is clear in figure 1. Jobs in 1990 are indexed to 100 so that state and national changes from the 1990 level of employment can be compared. The blue line shows that Wisconsin avoided job losses in the recession of the early 1990s when the nation as a whole shed jobs (the red national job line falls, indicating a loss of jobs). Over the 1990s, the pace of job growth in the state matches the national rate (made clear below because the slope of the red and blue lines are similar 1992-2000). In the 2000s, Wisconsin’s job growth slows relative to the national rate. The national rate exceeds the state rate over 2002-07 so that by 2007, both the US and Wisconsin have 25 percent more jobs than in 1990. From 2007-2010 (the Great Recession), Wisconsin and the nation both rapidly lost employment. Over 2011-2016, however, while the national job base grew to 133 percent of the number of jobs in 1990, Wisconsin rose to 128 percent the 1990 level.

*figure 1*

**CHANGES IN TOTAL PRIVATE employment, US AND WISCONSIN, 1990-2016 (INDEXED TO 100 IN 1990)**

Source: QCEW
Focusing on the most recent economic expansion, the relatively weak job growth in Wisconsin is evident. From December 2010 to December 2016, Wisconsin added **179,778** private sector jobs.

- Wisconsin's private sector job growth remains well behind the national pace of growth. Since December 2010, Wisconsin's private sector job base has grown 7.9 percent. Nationally, the private sector job base grew by 13.2 percent over the same period.

- Wisconsin private sector job growth over that period ranks **34**th. This means two-thirds of the states in the nation posted stronger growth over the same period.

- If Wisconsin's private sector had added jobs at the national rate, the state would have added more than **300,000** jobs. Instead we added just **180,000** private sector jobs; the state is currently **120,000** jobs short of where we would be if we just grew at the national rate.

- The relatively slow performance comes into focus when comparing job growth in Wisconsin and Minnesota. Wisconsin has a population just slightly larger than Minnesota (with 5.78 million in Wisconsin compared 5.52 million in Minnesota (2016 estimates)). In the 1990s, Wisconsin had nearly 200,000 more jobs than Minnesota. Minnesota has been closing the gap. In late 2016, for the first time, the number of jobs in the state of Minnesota exceeded Wisconsin.

In the 21st century, and over the last six years, Wisconsin's private sector job base has substantially and consistently underperformed.

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**Wisconsin Job Watch**

COWS releases Wisconsin Job Watch quarterly, providing an update on where Wisconsin's labor market stands in its slow recovery from the Great Recession. The latest data puts the current Wisconsin Job Deficit at **69,000**. That's the additional jobs needed to generate the same level of employment opportunity that the state had before the recession. Read Wisconsin Job Watch here.
LOWER BUT NOT FOR EVERYONE

Overall, the state’s unemployment rate compares favorably with the national rate but unemployment is not distributed evenly across the state. In 2016, Wisconsin’s African American unemployment rate was 11 percent – a rate higher than the state’s overall rate in the worse months of the Great Recession. The opportunities implied by the lower unemployment rates are not available to everyone.

Notably, Wisconsin’s disparity between black and white rates is higher than the national disparity. This is shown in the figure below. **WISCONSIN’S AFRICAN AMERICAN UNEMPLOYMENT RATE, 11 PERCENT, IS 2.9 TIMES THE RATE FOR WHITES.** Nationally, the black unemployment rate is 2.1 times the white rate.

Job opportunity is not distributed equally across the map. In July of 2017, two counties, Dane and Iowa, posted very low unemployment rates at 2.5 percent. Three counties, Menominee (7.4 percent), Iron (5.5 percent), and Forest (5.1 percent) had unemployment above 5 percent, and more than twice as high as the state’s counties with the lowest rates of unemployment.

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**figure 2**

**WHITE AND BLACK UNEMPLOYMENT, US & WISCONSIN, 2016**

0% 2% 4% 6% 8% 10% 12%

US Wisconsin

White  African-American

Source: EPI analysis of CPS data
**LONG TERM STAGNATION**

Long-term wage stagnation is evident in figure 3. On it, you can see the wage of the worker at the exact middle of the wage distribution for Wisconsin and the United States from 1979 to 2016. (All workers, both hourly and salaried, are included in this analysis. For salaried workers, an hourly wage is created by dividing annual earnings by hours of work. And all wages are expressed in 2016 dollars which takes inflation over the period into account.)

In 1979, Wisconsin’s median worker earned a wage well above the national median. The 1980s—an especially bad decade for workers in Wisconsin—brought considerable real and relative wage decline, leaving Wisconsin workers nearly a dollar per hour behind the US median. Wisconsin moved back to the national median wage in 1995, and wages grew in the state each year until 2005. The weak economy and Great Recession took their toll on wages, which slipped to a low point in 2012.

In 2016, Wisconsin’s median wage climbed to $17.96 per hour -- just slightly higher than the pre-recession median wage in 2007 ($17.68 per hour). At $17.80 per hour in 2016, the US median wage is just slightly below Wisconsin’s.

The bottom line? Taking inflation into account, the wage of Wisconsin’s median worker is 92¢ per hour more today than it was in 1979. That’s very slow wage growth – an annual raise of less than 3¢ per hour. In terms of annual income, that amounts to an increase of $1,800 for a full-time worker.

Compared to 1979, Wisconsin’s median worker today has more education and is working with more productive technology. Even with their higher education and productivity, however, that worker earns not even $1 per hour more than the median earned nearly 40 years ago.

Unlike the data on jobs, where Wisconsin’s story is markedly worse than the national trends, the wage data is more or less in line with the national picture. Wisconsin’s job market remains tough and worker wages are stagnant. Certainly, after six years of Governor Walker’s “open for business” policies of deregulation, regressive tax and budget changes, and union and voter suppression, there is no evidence that the situation for workers in the state has improved relative to national trends.

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**Figure 3**

**MEDIAN WAGE, US & WISCONSIN, 1979 - 2016**

Source: EPI analysis of CPS data
RACIAL INEQUALITY, INCOME INEQUALITY, AND MIDDLE CLASS DECLINE

As we have long documented in *The State of Working Wisconsin* and other reports, Wisconsin has extremely high levels of racial inequality and increasing income inequality. The rewards of economic growth are being concentrated at the top of the income distribution. And **THE CHASM SEPARATING BLACK AND WHITE WISCONSNITES IS AMONG THE LARGEST IN THE NATION.**

Wisconsin has the regrettable distinction of ranking among the worst states in the nation in terms of racial equality. Various aspects of the disparity – from education to jobs and income to incarceration – have been documented consistently for more than a decade. We offer below the summary of Wisconsin racial disparity in economic indicators, drawn from *Wisconsin’s Extreme Racial Disparity, 2017.*

This disparity is a defining problem of the Wisconsin economy. Strategies to close the racial gap in wages, outcomes, opportunity, are absolutely essential.

### table 1
**RACIAL DISPARITY IN ECONOMIC OPPORTUNITY 2015: WISCONSIN VS OTHER STATES**

<table>
<thead>
<tr>
<th></th>
<th>Wisconsin</th>
<th>Other States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State overall</td>
<td>Blacks</td>
</tr>
<tr>
<td>Total population*</td>
<td>5,771,337</td>
<td>362,290</td>
</tr>
<tr>
<td>Unemployment rate†</td>
<td>4.6</td>
<td>11.6</td>
</tr>
<tr>
<td>Labor force participation*</td>
<td>66.90%</td>
<td>61.20%</td>
</tr>
<tr>
<td>Median household income*</td>
<td>55,638</td>
<td>29,223</td>
</tr>
<tr>
<td>Poverty rate: all families*</td>
<td>7.90%</td>
<td>31.00%</td>
</tr>
<tr>
<td>Poverty rate: children under 18 years old*</td>
<td>16.40%</td>
<td>44.20%</td>
</tr>
<tr>
<td>Individuals with no health insurance*</td>
<td>5.70%</td>
<td>8.60%</td>
</tr>
</tbody>
</table>

* American Community Survey 2015 one-year estimates
A second defining problem in the American economy is increasing inequality. Wisconsin has historically been and remains today a relatively equal state. But inequality is on the rise, both nationally and in Wisconsin. Over the last 40 years, Wisconsin’s richest residents have experienced dramatic increases in income, while the rest of the state’s residents have experienced little to no income growth.

These trends are detailed in *Pulling Apart 2017* which was released by COWS and the Wisconsin Budget Project in August. In Wisconsin, the top 1% made, on average, 19 times the average annual income of $48,000 that the remaining 99% of residents made. Wisconsin ranked 33rd among US states in the ratio of the top 1% of income to the remaining 99% of income. The average income of the top 0.01% in Wisconsin was 399 times the average income of the bottom 99% of Wisconsin residents.

An additional warning signal on the economy comes from closely related measures of the fortunes of the middle class. **ACCORDING TO ANALYSES BY THE PENG CHARITABLE TRUST OVER 2000-2013, THE SHARE OF FAMILIES IN THE MIDDLE CLASS IN WISCONSIN FELL BY 5.7 PERCENT.** That is the largest decline posted by any state in the nation.

In all three areas of inequality – extreme racial disparities, increasing income inequality, and a declining middle class – the challenges in Wisconsin are clear and long-standing. These are essential economic issues requiring sustained and creative policy attention.

### Table 2

**Ratio of Top 1% of Income to Remaining 99% of Income, in 2014**

<table>
<thead>
<tr>
<th>State/region</th>
<th>Average income of the top 1%</th>
<th>Average income of the remaining 99%</th>
<th>Top-to-remaining ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wisconsin</td>
<td>$933,000</td>
<td>$48,000</td>
<td>19.4</td>
</tr>
<tr>
<td>Midwest</td>
<td>$1,011,000</td>
<td>$47,000</td>
<td>21.7</td>
</tr>
<tr>
<td>United States</td>
<td>$1,281,000</td>
<td>$47,000</td>
<td>27.4</td>
</tr>
</tbody>
</table>


**Wisconsin Falls Below the National Average**

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 the state’s long-standing public-sector union laws, came into focus starting in February 2011, when Act 10 was passed in spite of mass mobilization against it. The Act has dramatically reduced public-sector union membership by undermining unions in important ways. Public-sector unions in Wisconsin can no longer bargain over any issue other than wages—not safety or working conditions, not benefits. Further, in negotiations, bargained wage increases cannot exceed the rate of inflation. Union employers are not allowed to collect union dues in paychecks, even when a signed card states a worker's interest in such collection. Additionally, every public-sector bargaining unit is required to annually recertify 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 US norm in political and labor elections of winning on the basis of the votes actually cast).

The effect of this array of restrictions and rules around public sector collective bargaining has been dramatic and reverberated across the State’s economy. Many units have not even attempted to recertify under these terms. These trends have led to a decline in union membership in Wisconsin that far exceeds national or regional trends. Figures 4 and 5 show how Wisconsin’s union coverage has fallen relative to the national trend, especially since 2011. Wisconsin’s recent decline was the largest and most dramatic in the region. **Over 2011-16, Wisconsin union coverage fell by more than one-third, from 14.1 to 9 percent, a decline of 5.1 percentage points.** Over the same period, national union coverage fell 1 percentage point.

**figure 4**
**Union Coverage, US & Wisconsin 2000 - 2016**

**figure 5**
**Percentage Point Change in Union Coverage, US, Wisconsin, and Midwest, 2011-16**

Source: EPI analysis of CPS data
HOW UNIONS HELP WORKING PEOPLE

How Today’s Unions Help Working People, released by the Economic Policy Institute, provides a comprehensive review of collective bargaining in the US economy. The authors point out that unions are a force that can help build the middle class. Indicated in figure 6 below, they point out:

“... when unions are weak, the highest incomes go up even more, but when unions are strong, middle incomes go up.

Research by EPI and other institutions shows this correlation is no accident. First, unions have strong positive effects on not only the wages of union workers but also on wages of comparable nonunion workers, as unions set standards for entire industries and occupations (these union and nonunion wage boosts are explored in detail in the next section of this report). Second, unions make wages among occupations more equal because they give a larger wage boost to low- and middle-wage occupations than to high-wage occupations. Third, unions make wages of workers with similar characteristics more equal because of the standards unions set. Fourth, unions have historically been more likely to organize middle-wage than high-wage workers, which lowers inequality by closing gaps between, say, blue-collar and white-collar workers. Finally, the union wage boost is largest for low-wage workers and larger at the middle than at the highest wage levels, larger for black and Hispanic workers than for white workers, and larger for those with lower levels of education—wage increases for these groups help narrow wage inequalities.”

figure 6

UNION MEMBERSHIP AND SHARE OF INCOME GOING TO THE TOP 10%, 1917 - 2015

Labor Day 2017 offers a mixed picture of the state of working Wisconsin. To be sure, the lower unemployment rate in the state is good news – not only for those who are looking for work, but also for those who want more regular schedules, or a chance to ask for time off. The steady, slow recovery of jobs nationally and in Wisconsin should be embraced.

However, the picture beyond the unemployment rate is decidedly mixed. Wages are stagnant, Wisconsin job growth lags the national rate, inequality grows, and the middle class shrinks. These are serious and long-standing problems.

Notably, there is no evidence that any of the economic reforms of the last six years have changed the trajectory for the state. Job growth lags, wages are stagnant, inequality is growing. Wisconsin has fallen off national pace on job growth, in spite of the reforms. Wages remain stagnant and inequality is growing in step with national trends, in spite of the reforms. The one place where economic policy has clearly changed the state and moved it away from national trends is in union coverage. Act 10 did not speed up our job growth, but it decimated unions in the state.

For working people in the state, this is a cause for concern. As EPI’s recent report on unions shows, labor unions can help solve the very problems that Wisconsin faces. With stronger unions, wages and equality can grow. With stronger unions, wages and equality can grow. Unfortunately, Wisconsin is moving rapidly in the wrong direction.

ABOUT COWS

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

DATA SOURCES & METHODOLOGY

*The State of Working Wisconsin 2017: Facts & Figures* relies on a range of data sources. Specific sources are identified below the figure or table in question. The Economic Policy Institute (EPI) in Washington DC is the source of data for a number of figures. We rely on their analysis wage, unemployment by race, and union status data from the Census Bureau’s Current Population Survey (CPS). For jobs, we rely on the Quarterly Census of Employment and Wages (QCEW).