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## ***The Lag Continues:***

# ***Comparing Employment Growth in Wisconsin, the Midwest, and the Nation Over the Past Decade: December 2002-2013 (Q4)***

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The latest comprehensive state employment data from the U.S. Bureau of Labor Statistics have been released, and the Quarterly Census of Employment and Wages (QCEW) reveals that Wisconsin continues to lag both the national rate of job growth as well as the rates of employment gain in most other states.<sup>1</sup>

Between December 2012 and 2013, Wisconsin gained 26,816 jobs, posting an annual employment growth rate of 0.98 percent, significantly trailing the national job growth rate of 1.75 percent during the same period. Thus, Wisconsin’s year-over-year job growth in fourth quarter of 2013 was just slightly over half the national rate – a level of underperformance that has been consistent since 2011.

Overall, Wisconsin ranked 37<sup>th</sup> among the 50 states in the rate of total employment growth between December 2012-13. Wisconsin trailed every single neighboring Midwestern state (Illinois, Indiana, Iowa, Michigan, Minnesota, and Ohio) in year-over-year employment growth between December 2012-13. Moreover, as Table 1 shows, Wisconsin’s rank in job growth has been consistently in the bottom tier of states since 2011.

**Table 1:  
Employment Change in Wisconsin and the United States: Q4 2002-2013**

Year	Wisconsin	United States	Wisconsin Rank
2002	+0.16%	-0.14%	17
2003	+0.08%	-0.01%	31
2004	+1.46%	+1.70%	31
2005	+0.66%	+1.72%	42
2006	+0.71%	+1.58%	43
2007	+0.43%	+0.81%	39
2008	-1.83%	-2.32%	26
2009	-4.32%	-4.14%	30
2010	+1.28%	+0.90%	14
2011	+0.81%	+1.40%	40
2012	+1.24%	+1.90%	36
2013	+0.98%	+1.75%	37

<sup>1</sup> The QCEW is widely recognized by economists as the most comprehensive reliable source of state-level employment data – a census of roughly 98% of state employers. For a description of the QCEW methodology, see: <http://www.bls.gov/cew/cewover.htm>

Employment growth has become perhaps Wisconsin's most closely watched political and economic statistic, chiefly because of Governor Scott Walker's 2010 campaign promise to create 250,000 private sector jobs during his tenure. According to the QCEW data, through the first three years of Walker's term, private sector employment grew by around 91,800. Put another way: through 75 percent of Walker's term in office, private job growth had reached just 37 percent of his promised total. (And, given the loss of public sector employment since 2010, the overall employment growth record in Wisconsin is even less impressive over the past three years). There is no chance that employment growth since December 2010 –private or total-- will reach 250,000 by December 2014.

Tables 1 and 2 give a sharper view of Wisconsin's dismal job growth performance since 2010, and also provide some evidence bearing on common misconceptions regarding employment trends in Wisconsin.<sup>2</sup> First, these tables put Wisconsin's employment performance in national context since 2001. Contrary to the misleading claim that "Wisconsin has consistently trailed the national average for a decade,"<sup>3</sup> the data show that in four of the nine years prior to Walker taking office, Wisconsin *outgained* the national average in employment performance (see Table 1). Especially striking is the degree to which Wisconsin outperformed the national rate in 2010, the year before Walker took office, when Wisconsin's employment growth rate *was 42 percent higher than the national rate*. As we analyzed in an earlier paper, the most plausible explanation for the *overperformance* of Wisconsin in 2010 was the impact of stimulus spending in the state: in 2009, federal spending in Wisconsin increased by \$20 billion over the preceding year (a 50 percent increase), one of the largest increases in the country, and Wisconsin's rank in federal spending per capita surged from 48<sup>th</sup> in 2008, to 21<sup>st</sup> in 2009.<sup>4</sup> As those expenditures surged in Wisconsin in 2010, the state's employment performance, relative to other states and the nation, soared.

Overall, though, it is true that Wisconsin's employment growth rate did trail the national average between 2001-10, by around seven percent (see Table 2). But that's significantly better than the period between December 2010 and December 2013, when Wisconsin's job growth trailed the national rate by over 40 percent. In short, by any reckoning, there has been a sharp deterioration in Wisconsin's job growth performance, relative to the US average, since 2010.

**Table 2:  
Employment Change: 2001-10 v. 2010-13**

Period	Wisconsin	United States
2001-2010	-1.50%	-1.40%
2010-2013	+3.06%	+5.14%

<sup>2</sup> See, for example, the editorial from the *Milwaukee Journal Sentinel*, "Lousy job growth and Gov. Scott Walker," 19 June 2014.

<sup>3</sup> Ibid.

<sup>4</sup> Marc Levine, "Gauging Employment Growth in Wisconsin: State-By-State Comparisons," UWM Center for Economic Development Briefing Paper, March 2014, p. 4.

Tables 3 and 4 present data comparing employment trends in Wisconsin to some benchmark states. First, we compare Wisconsin’s employment performance since 2001 to neighboring Great Lakes/Midwestern states (to control for regional effects). Second, we compare overall employment growth in Wisconsin to the 15 states with the greatest concentrations of manufacturing employment. The latter comparison is particularly salient as one of the common hypotheses for Wisconsin’s lagging employment during the post-2010 period has been “that the real reason for the state’s sluggish job growth has a lot to do with Wisconsin’s economic mix,” especially in “old line” manufacturing industries.<sup>5</sup>

**Table 3:  
Employment Change in Midwestern/Great Lakes States:  
2010-13 and 2001-10**

State	2010-13 Emp Change	Rank	2001-10 Emp Change	Rank
Michigan	+6.59%	7	-14.39%	50
Indiana	+5.58%	14	-4.09%	46
Minnesota	+5.34%	18	-0.92%	33
Iowa	+4.37%	25	+1.88%	18
Ohio	+4.29%	26	-8.38%	49
Illinois	+3.30%	31	-5.07%	48
Wisconsin	+3.06%	35	-1.50%	37

There is ample evidence, as we examined in our March 2014 paper, that Wisconsin faces secular economic challenges. Deindustrialization and international trade policies have significantly eroded employment growth in the state since the early 2000s.<sup>6</sup> Nevertheless, as Tables 3 and 4 show, whatever the impact of these long-term issues, Wisconsin’s relative employment performance turned sharply downward by 2011. Between 2001-10, Wisconsin ranked third among the Midwest/Great Lakes states in employment performance (though all the states, except for Iowa, lost employment, primary from the massive hemorrhaging of jobs during 2008 and 2009 and the Great Recession). Between December 2010 and December 2013, however, Wisconsin ranked dead last in employment growth among its regional neighbors. Indeed, during the Walker years, Wisconsin has recorded employment growth at only 46% of Michigan’s rate; 55% of Indiana’s rate; and 57% of Minnesota’s rate. Even Illinois, with all of its budgetary dysfunction and political turmoil, has created jobs at a seven percent higher

<sup>5</sup> MJS, “Lousy Job Growth and Gov. Scott Walker.”

<sup>6</sup> Levine, “Gauging Employment Growth,” p.2-3

rate than Wisconsin since Scott Walker became governor. (This contrasted to the 2001-2010 period, when Illinois *lost* jobs at more than triple the rate of Wisconsin).

**Table 4:  
Total Employment Change in Top Manufacturing States:  
2010-2013 and 2001-2010**

State	2010-13 Emp Change	Rank	2001-10 Emp Change	Rank
Michigan	+6.59%	7	-14.39%	50
Tennessee	+6.12%	10	-0.94%	34
South Carolina	+5.77%	12	+0.19%	26
Indiana	+5.58%	14	-4.09%	46
North Carolina	+5.46%	16	+1.84%	19
Minnesota	+5.34%	18	-0.92%	33
Iowa	+4.37%	25	+1.88%	18
Ohio	+4.29%	26	-8.38%	49
Kentucky	+4.05%	28	+0.69%	24
Kansas	+3.66%	30	-0.85%	32
Illinois	+3.30%	31	-5.07%	48
Wisconsin	+3.06%	35	-1.50%	37
Mississippi	+2.59%	42	-2.39%	42
Alabama	+2.27%	44	-1.37%	36
Arkansas	+0.64%	50	+1.75%	20

As Table 4 illustrates, the “economic mix” explanation for Wisconsin’s current job creation stagnation also falls short, for at least two reasons. The table arrays the 15 states in the U.S. in which the manufacturing share of employment is the greatest (gauged by the standard measure of “location quotient”). Even among other heavily manufacturing states, Wisconsin’s relative employment performance between 2010 and 2013 was poor, ranking ahead of only Mississippi, Alabama, and Arkansas. Moreover, several of these states with high concentrations of manufacturing employment – Michigan, Tennessee, South Carolina, Indiana, North Carolina, and Minnesota, for example—all rank in the top 20 of U.S. states in employment growth since 2010: clearly their manufacturing density has not inhibited relatively strong employment growth in the past three years. Now, it is conceivable that Wisconsin’s sectoral mix *within*

*manufacturing*, compared to other heavily manufacturing states, has rendered Wisconsin especially vulnerable to slow employment growth since 2010. But no evidence has been presented to make that case.

And most importantly, such a “sectoral mix” argument runs up against a major logical hurdle: how to explain the sharp deterioration in Wisconsin’s relative employment performance after 2010. Wisconsin’s “economic mix” did not change suddenly after 2010; yet, the state’s employment performance did. In 2010, Wisconsin’s employment growth rate was 142 percent of the national average; between 2010-2013, the first three years of the Walker administration, the employment growth rate in Wisconsin reached only 59.5 percent of the national rate (sliding to a low of 56 percent in 2013). A more plausible case is that state policy shifts after 2010 – cuts in K-12 and higher education spending; cuts in pay and workforce reductions for public employees; and tax cuts tilted in favor of businesses and the affluent—had a more direct impact on the post-2010 sluggishness in Wisconsin job growth, relative to other states, than the fact that Wisconsin is a heavily manufacturing state.

During the past three years, as Wisconsin’s employment growth consistently underperformed the national and regional labor markets, there has been a remarkable politicization of employment statistics in the state. (Who can forget the extraordinary moment when Governor Walker held a press conference to announce, in what any statistician or economist would regard as a serious distortion, that Wisconsin was responsible for half the net job growth in the U.S. in June 2011)?<sup>7</sup> In subsequent months, as Wisconsin continued to register poor job growth numbers, the public was treated to heretofore arcane methodological discussions of the relative merits of QCEW versus CES employment counts, misleading presentations of raw numbers versus percentages in employment growth, as well as a dizzying array of explanations –other than the Walker administration’s economic policies-- for the bad numbers. These included:

- The turbulence in Madison around Act 10 as well as the recall supposedly created job-killing “uncertainty” (even though elections are always around the corner and therefore some political “uncertainty” is always present, and Wisconsin’s underperformance became worse *after* the recall);
- The national economy and the Affordable Care Act (Obamacare) were allegedly holding Wisconsin’s economy down (even though the national economy was outperforming Wisconsin’s, quarter after quarter, and Obamacare wasn’t implemented until 2014 (and is a *national* program, thus unlikely to disproportionately affect Wisconsin’s economy);
- The sectoral mix of Wisconsin industry supposedly was holding back employment in the state (even though other top manufacturing states were doing much better in overall employment growth than Wisconsin);
- Even if employment growth statistics were lagging, other metrics, such as CEO “business climate” or “outlook” surveys, show Wisconsin ranked more highly than did the job counts (even though these surveys are based on the opinions

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<sup>7</sup> For a reminder of this event, see Jordan Ellenberg, *How Not to Be Wrong: The Power of Mathematical Thinking* (New York: The Penguin Press, 2014), pp.85-86.

of business leaders, not actual data such as employment or GDP growth and thus, are essentially meaningless as economic indicators).<sup>8</sup>

Finally, some have argued that no matter the numbers, focusing on Governor Walker's policies as a cause of Wisconsin's employment malaise is misguided, because governors have, at the most, a marginal impact on employment trends.<sup>9</sup> Yet, the stubborn fact remains: Wisconsin's relative employment performance took a clear turn for the worse after the implementation of Gov. Walker's policies in early 2011 – after significantly *outperforming* the national economy, and most of the Great Lakes/Midwestern states, in 2010. That correlation, of course, does not prove that Walker's policy mix was *entire cause* of Wisconsin's post-2010 job growth stagnation. More sophisticated and extensive research will be necessary to pinpoint the relative weight of various factors generating the rather extraordinary divergence of Wisconsin's employment growth from national trends over the past three years. But absent a more compelling competing explanation, the starting point for such an analysis must be on the mix of policies – cuts in education spending (among the highest in the nation); deunionization; pay cuts and workforce reductions for public employees (and concomitant diminution of aggregate demand); and redistributionist tax cuts for the affluent and business tax cuts and subsidies—that appear to have profoundly shaped Wisconsin's employment climate. Rather than torturously denying the obvious fact that Wisconsin's stagnating post-2010 employment growth marks a new, serious decline in the state's economy, we should be seriously discussing how the various policy choices made after 2010 have influenced the state's labor market.

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<sup>8</sup> We have run, for example, correlations between the ManpowerGroup's frequently cited "Employment Outlook" survey forecasts and actual employment growth in states; the relationship between the Manpower "outlook" and recorded employment growth in Q3 for 2011, 2012, and 2013 was not only non-existent, it was actually slightly negative! Thus, the recent Q3 2014 predictions for Wisconsin from Manpower -- "state has stellar jobs outlook"—should be taken with a grain of salt. See Rick Romell, "State has stellar jobs outlook," *Milwaukee Journal Sentinel*, 9 June 2014.

<sup>9</sup> MJS, "Lousy Job Growth and Gov. Scott Walker."