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***Gauging Employment Growth in Wisconsin:
State-By-State Comparisons
September 2002-2013***

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Employment growth in Wisconsin continues to lag both the national rate of job growth as well as the rates of employment increase in most other states, according to the latest data release of the Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW).¹ Between September 2012 and 2013, Wisconsin gained 31,033 jobs, posting an annual employment growth rate of 1.14 percent, significantly trailing the national job growth rate of 1.72 percent during the same period. Thus, Wisconsin's job growth over the most recent year for which comprehensive data is available was just 66 percent of the national rate, a clear deterioration from 2011-12 when Wisconsin's September-to-September employment grew at 90 percent of the national rate. In fact, as Table 2 below shows (p.20), this marks the third consecutive year in which Wisconsin's 3rd quarter (September) year-over-year employment growth rate trailed the national rate. As recently as 2010, and during four of the previous nine years (September 2002-2010), Wisconsin's employment growth rate exceeded the national figure (see figure 13 and table 2).

Overall, Wisconsin ranked 33rd among the 50 states in the rate of employment growth between September 2012-2013. This represents a slight improvement from Wisconsin's September 2011-2012 ranking (36th), but a continuation of Wisconsin's overall slide in the rankings since 2010. As Figure 15 illustrates, Wisconsin has generally ranked in the bottom half of states in September-to-September employment growth since 2002, reaching a nadir in the 2006-2007 period, when Wisconsin ranked 46th and 43rd, respectively. After a remarkable jump to 13th in 2010 (discussed below), Wisconsin has dropped back to the bottom tier of states in employment growth. Wisconsin's employment performance is particularly troubling when compared to Minnesota as a benchmark state. Although Wisconsin's employment growth rate exceeded Minnesota's in September 2009-2010 by 10 percent, annual employment growth in Wisconsin has consistently and significantly trailed Minnesota since 2011. Wisconsin's year-over-year employment growth rate in September 2010-2011 was only 58 percent as large as Minnesota's; 60 percent as large between September 2011-12; and 68 percent as large between September 2012-13 (see table 3 and figure 14).

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

Some Explanations and Policy Implications?

Wisconsin's employment growth in recent years has been the subject of much political spinning² or accounts that find the trends "confounding."³ However, placed in the longer time perspective of the past decade --a period in which Wisconsin has generally posted mediocre national rankings in job growth, punctuated by an especially marked improvement in 2010, and consistent underperformance since 2011— certain patterns seem to emerge. Although this brief does not presume to present a definitive analysis, the data appear consistent with a narrative that Wisconsin's employment growth malaise is the result of a confluence of long-term job-killing trends and a more recent mix of austerity policies --at the federal and state level— that have severely inhibited employment growth in the state.

First, as has been extensively analyzed, manufacturing in the U.S. experienced severe decline in the 2000s, even before the Great Recession hit. Robert Atkinson has described the manufacturing decline of the 2000s as "worse than the Great Depression," in which "not only did America lose 5.7 million manufacturing jobs, but the decline as a share of total manufacturing jobs (33 percent) exceeded the rate of loss in the Great Depression."⁴ This trend has been especially salient for Wisconsin: As a state with the second highest proportion of its workforce employed in manufacturing in 2000 (21.7 percent), the decade-long decline in U.S. manufacturing hit Wisconsin especially hard. Between 2000-2007, even before the Great Recession hit, Wisconsin had already lost 70,000 manufacturing jobs – around 12 percent of the state's industrial base. The recession and continuing structural decline would peel away another 72,000 industrial jobs between 2007-2010.⁵ M.I.T. economist David Autor and his colleagues estimate that 55 percent of the employment decline in U.S. manufacturing between 2000-2007 was caused by rising exposure to Chinese imports; Milwaukee, according to their analysis, ranked 8th among the nation's 40 largest metropolitan areas in vulnerability of the

² See, for example, James B. Nelson, "Wisconsin Republican Party says more than half the nation's job growth in June came from Wisconsin," *The Milwaukee Journal Sentinel*, 21 July 2011. Accessed at: <http://www.politifact.com/wisconsin/statements/2011/jul/28/republican-party-wisconsin/wisconsin-republican-party-says-more-than-half-nat/>

³ Craig Gilbert and John Schmid, "Wisconsin falls to 44th in private-sector job creation," *The Milwaukee Journal Sentinel*, 28 March 2013. Accessed at: <http://www.jsonline.com/news/wisconsin/wisconsin-private-sector-job-creation-ranking-declines-799bcsa-200435291.html>

⁴ Robert Atkinson, *Worse than the Great Depression: What Experts Are Missing About American Manufacturing Decline* (Washington ITIF, March 2012), p. 3. Accessed at: <http://www2.itif.org/2012-american-manufacturing-decline.pdf>

⁵ Data accessed from QCEW: <http://www.bls.gov/cew/>

local labor market to employment erosion caused by Chinese import shocks.⁶ Robert Scott of the Economic Policy Institute estimates that the trade deficit with China has cost Wisconsin almost 57,000 manufacturing jobs since 2001, and that job displacement to Mexico, caused by post-NAFTA shifts, has shaved nearly 15,000 jobs from Wisconsin's manufacturing base.⁷ In short, trade deficits, corporate offshoring, and the general malaise in manufacturing have been particularly devastating to Wisconsin's employment since 2000. Given Wisconsin's historical reliance on manufacturing jobs, deindustrialization, it would appear, accounts for a large share of Wisconsin's mediocre ranking in employment growth performance since 2000, compared to other states.

The Great Recession battered Wisconsin's labor market, as it did the rest of the U.S.: between September 2008 and September 2009, the trough year for the recession, Wisconsin lost 5.42 percent of its total employment, roughly comparable to the national decline of 5.23 percent. But then, a curious thing happened: in 2010, despite the state's long-term deindustrialization and trade problems, Wisconsin employment rebounded at over *twice the rate* of the U.S. as a whole (see table 2). In September 2009, Wisconsin ranked 33rd in year-over-year employment performance; in September 2010, Wisconsin rocketed to 13th among the 50 states. What happened?

In a word: the stimulus. In 2009, the Obama administration passed the \$787 billion "stimulus package," a Keynesian-style infusion of public spending that injected billions of dollars into the economy, counteracting the decline in aggregate demand that followed the crash and, by bolstering demand, encouraging businesses to begin hiring again. Wisconsin, with Rep. David Obey chairing the House of Representatives Appropriations Committee and steering the legislation through the House, did remarkably well in garnering funds from the American Recovery and Reinvestment Act (ARRA) of 2009. Federal government expenditures in Wisconsin rose by 52.7 percent between 2008 and 2009 (from \$40.1 billion to \$61.3 billion) – the second largest percentage increase in the nation.⁸ As Table 1 shows, Wisconsin's

⁶ David H. Autor, David Dorn, and Gordon H. Hanson, "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," forthcoming, *American Economic Review*. Accessed at: <http://economics.mit.edu/files/6613>.

⁷ Robert Scott, "Growing U.S. Trade Deficit With China Cost 2.8 Million Jobs Between 2001-2010," EPI Briefing Paper #323, 20 September 2011. Accessed at: <http://www.epi.org/publication/growing-trade-deficit-china-cost-2-8-million/>; Scott, "Heading South: U.S. Mexico trade and job displacement after NAFTA," EPI Briefing Paper #308, 3 May 2011. Accessed at: http://www.epi.org/publication/heading_south_u-s-mexico_trade_and_job_displacement_after_nafta1/

⁸ Data calculated from *Consolidated Federal Funds Report for Fiscal Year 2009* and *Consolidated Federal Funds Report for Fiscal Year 2008*. Accessed at: <https://www.census.gov/prod/2009pubs/cffr-08.pdf> and <https://www.census.gov/prod/2010pubs/cffr-09.pdf>.

rank in federal government expenditures per capita among the states surged from 48th in 2008 –Wisconsin had heretofore always languished near dead last in the rankings—to an unprecedented rank of 21st in 2009.

Table 1:
Federal Government Expenditures in Wisconsin, 2002-2010⁹

Year	Wisconsin Rank: Fed Spending Per Capita	Total Fed Expenditures in Wisconsin (in billions)
2002	49	\$28.6
2003	48	\$30.2
2004	47	\$31.6
2005	47	\$33.7
2006	47	\$34.6
2007	47	\$38.2
2008	48	\$40.1
2009	21	\$61.3
2010	33	\$54.9

Source: *Consolidated Federal Funds Report* (Fiscal Years 2002-2010).

In short, compared to other states, Wisconsin received a disproportionate benefit from the ARRA expenditures, and the economic effects of injecting billions of federal stimulus dollars in 2009 and 2010 into the state’s economy could be clearly seen in the employment impact in 2010 and 2011. Wisconsin’s employment ranking rose dramatically in 2010, and job growth in the state that year was double the national rate. Although Wisconsin’s ranking and overall performance would begin falling back by September 2011 (more on that below), the evidence seems fairly striking that the stimulus spending had a significant salutary effect on Wisconsin’s employment picture. There is little else that could plausibly explain the surge in Wisconsin’s ranking among the states and significant outperformance of the national growth rate in 2010. Indeed, the Wisconsin case looks like a classic validation of the Keynesian prescription of expansionary fiscal policy during downturns in the business cycle.

⁹ Unfortunately, the Consolidated Federal Funds report that provides data on federal spending in the states, was discontinued by the Census Bureau after the 2010 report, a major blow to economic researchers.

By contrast, the turn *away* from fiscal stimulus policies after 2011 –at the federal and state levels—would seem to be key aspect of Wisconsin’s comparatively poor job growth performance over the past three years. At the federal level, of course, the aftermath of the 2010-midterm elections was a turn toward austerity policies. Not only was the ARRA stimulus spending exhausted by early 2011, but budgetary gridlock that year led to sequestration (the Budgetary Control Act of 2011) and spending cuts of 7 to 10 percent imposed on nonmandatory federal spending (i.e. non-entitlements). In fact, the advantage Wisconsin had reaped in the 2009 ARRA spending surge had already been vitiated somewhat in 2010, as federal expenditures in Wisconsin declined by 10 percent (in nominal dollars) between 2009-2010 (and Wisconsin’s rank in federal expenditures per capita had already fallen back to 33rd by 2010). Although we do not have precise figures on federal spending in Wisconsin after 2010 (because the census bureau discontinued comprehensive reports on the subject), there is no question that the federal austerity of sequestration further reduced the inflow of dollars into the state; indeed, it is plausible to suspect that Wisconsin’s share of federal spending has retreated, after the high water marks of 2009 and 2010, to the levels that historically placed Wisconsin near the bottom of states in per capita federal funding.

What’s more, after 2011, Wisconsin’s economy was hit with a double-whammy of austerity: not only the slashed federal outlays from sequestration, but the deep spending cuts contained in Governor Scott Walker’s first budget, enacted in June 2011. The full range of the Walker administration’s austerity policies have been documented elsewhere,¹⁰ but they included:

- \$740 million of cuts in K-12 education. Wisconsin reduced per student K-12 spending by 10 percent in 2011, the *fourth largest* reduction of any state.¹¹ As the Center on Budget and Policy Priorities concluded: “The [K-12] cuts have extended the recession and slowed the recovery.” School district layoffs, from these cuts, “reduced the purchasing power of workers’ families, in turn reducing overall consumption in the economy and thus extending the recession and slowing the pace of recovery.”¹²

¹⁰ See Jack Norman, “The Price of Extremism: Wisconsin’s economy under the Walker administration,” Institute for Wisconsin’s Future, December 2011. Accessed at: http://wisconsinsfuture.org/wp-content/uploads/2012/08/Price_of_Extremism_Dec2011.pdf

¹¹ Phil Oliff and Michael Leachman, “New School Year Brings Steep Cuts in State Funding for Schools,” Center on Budget and Policy Priorities, 7 October 2011. Accessed at: <http://www.cbpp.org/cms/index.cfm?fa=view&id=3569>

¹² Ibid.

- \$250 million in cuts to higher education. Wisconsin was one of 25 states in the U.S. in 2011 that made “large, identifiable cuts in funding for state colleges and universities.”¹³
- Act 10, which reduced the take home pay of public employees by mandating higher employee payments for health care and pensions. The best estimate is that the annual loss to local economies of the reduced purchasing power of public employees is over \$700 million – dollars that cannot be spent at local stores which, in turn, reduces the incentives of local employers to hire, and thus hampers overall employment growth.¹⁴
- Foregone federal aid, which other states accepted and which represented a foregone stimulus to the Wisconsin economy. The most conspicuous of these lost stimulus dollars included the Walker administration’s rejection of \$800 million in federal “high-speed rail” investment and the administration’s refusal of \$200 million in federal aid for Medicaid expansion in conjunction with the Affordable Care Act.

This is not an exhaustive list of the austerity policies of the Walker Administration, but it does give a clear sense of the policy mix that has underpinned Wisconsin’s macroeconomic environment since 2011. Economic policy in Wisconsin for the past three years has produced precisely the kind of labor market outcomes one would predict from austerity policies: slow employment growth, which lags far behind the national rate of job growth, and trails the majority of states across the country.

In short, there is not much mysterious about Wisconsin’s employment trends over the past decade. The state has suffered from secular labor market stagnation, in part a consequence of its manufacturing-heavy sectoral mix in an era of offshoring, trade deficits, and deindustrialization. During a brief two year period (2010-2011), expansionary fiscal policy – chiefly an unprecedented augmentation of federal funding in the state from the ARRA—not only helped Wisconsin mitigate the effects of the Great Recession and long-term employment stagnation, but briefly catapulted job creation in Wisconsin above the national rate. However, beginning in 2011, Wisconsin’s macroeconomic policy has consisted of a double dose of federal and state austerity, and the result has been three years of tepid employment growth, with rates of job growth lagging far behind the national rate, and *lower than more than two-thirds of the nation’s states*. Far from enabling the state’s economy to “take off like a rocket,” as

¹³ Erica Williams, Michael Leachman, and Nicholas Johnson, “State Budget Cuts in the New Fiscal Year are Unnecessarily Harmful,” Center on Budget and Policy Priorities, 28 July 2011. Accessed at: <http://www.cbpp.org/cms/index.cfm?fa=view&id=3550>

¹⁴ Norman, “The Price of Extremism.”

one state lawmaker predicted,¹⁵ the austerity policies of the past three years have produced sluggish job growth in Wisconsin, in much the same way, as the International Monetary Fund has concluded, that austerity policies have produced economic stagnation and slow job growth around the world.¹⁶

¹⁵ Stephanie Jones, "Walker win means boon for business: GOP officials," *The Journal Times*, 30 April 2012. Accessed at: http://journaltimes.com/news/local/walker-win-means-boon-for-business-gop-officials/article_5c898f2e-9345-11e1-a9ab-0019bb2963f4.html

¹⁶ International Monetary Fund, *World Economic Outlook October 2012: Coping with High Debt and Sluggish Growth* (Washington: IMF, 2012). Accessed at: <http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf>

Figure 1:
Year-Over-Year Employment Change, By State: September 2001-2002

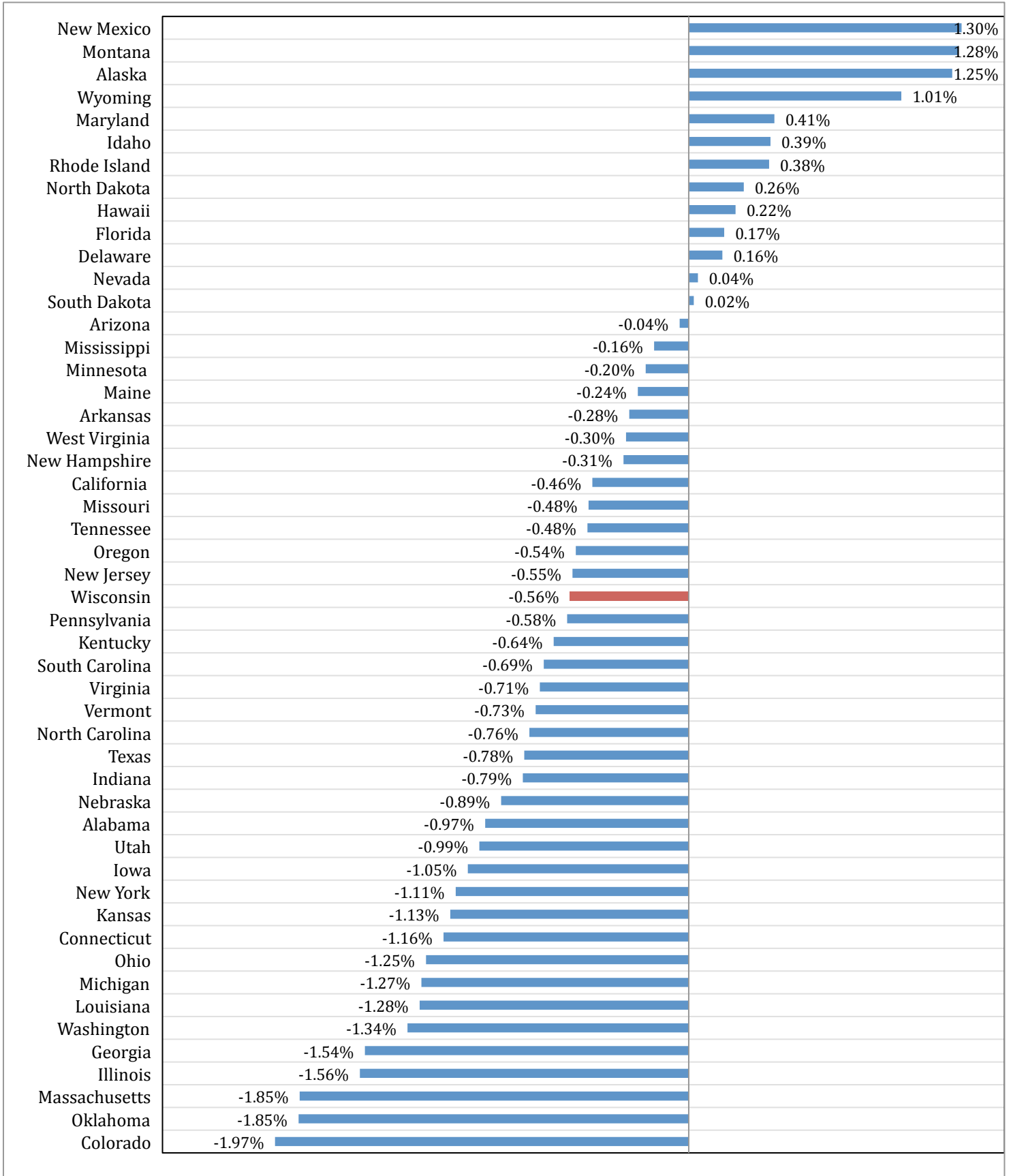


Figure 2:
Year-Over-Year Employment Change, By State: September 2002-2003

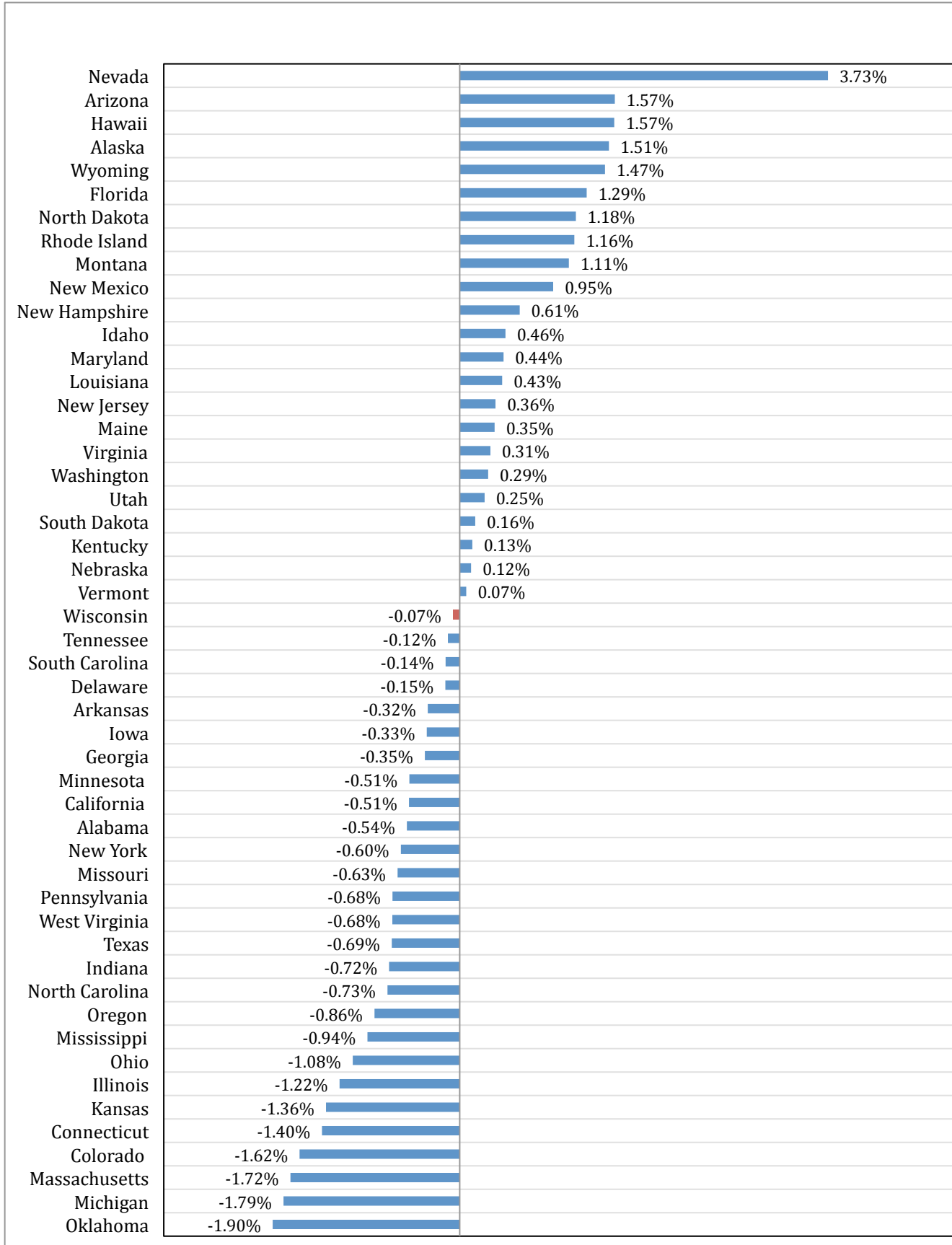


Figure 3:
Year-Over-Year Employment Change, By State: September 2003-2004

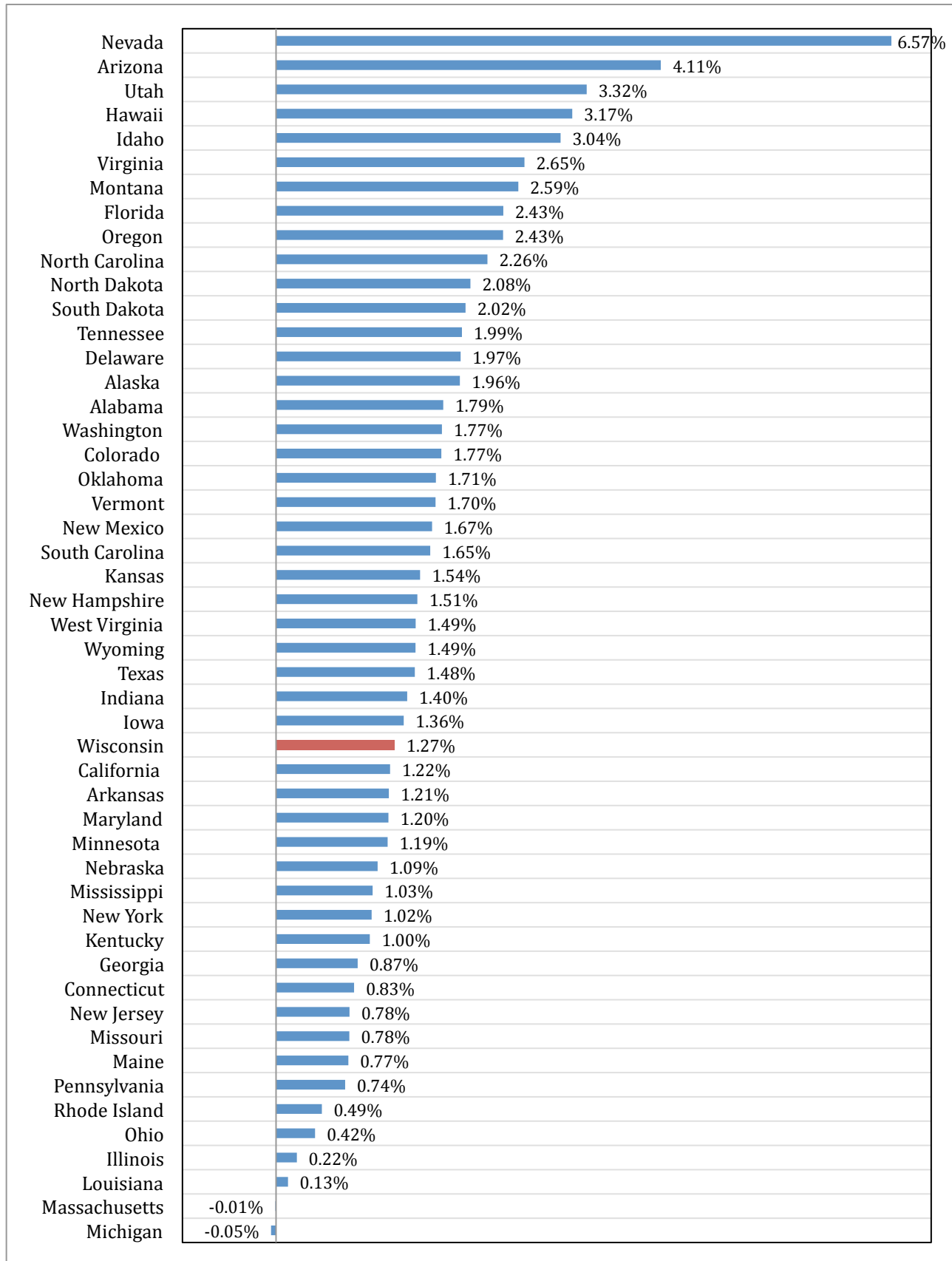


Figure 4:
Year-Over-Year Employment Change, By State: September 2004-2005

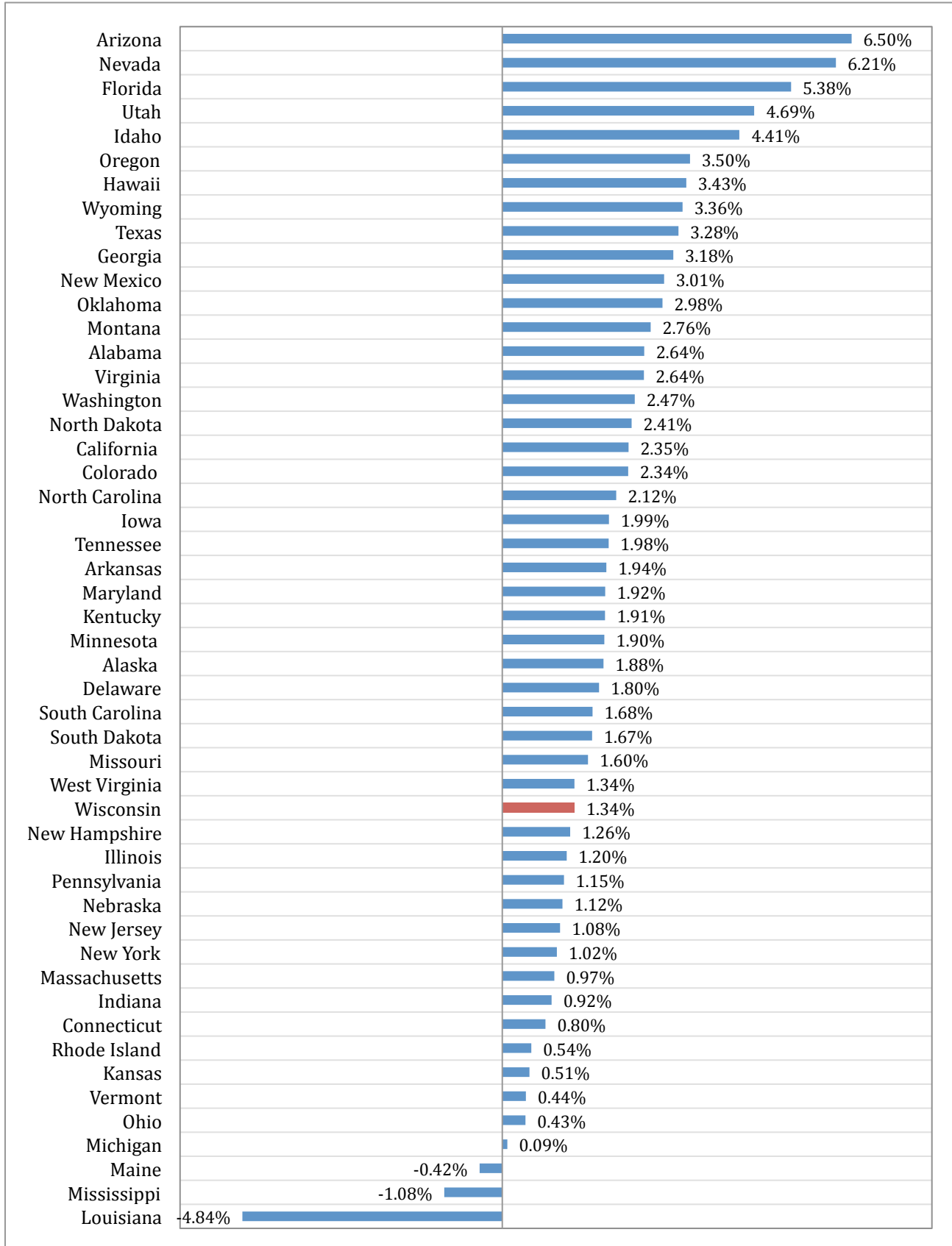


Figure 5:
Year-Over-Year Employment Change, By State: September 2005-2006

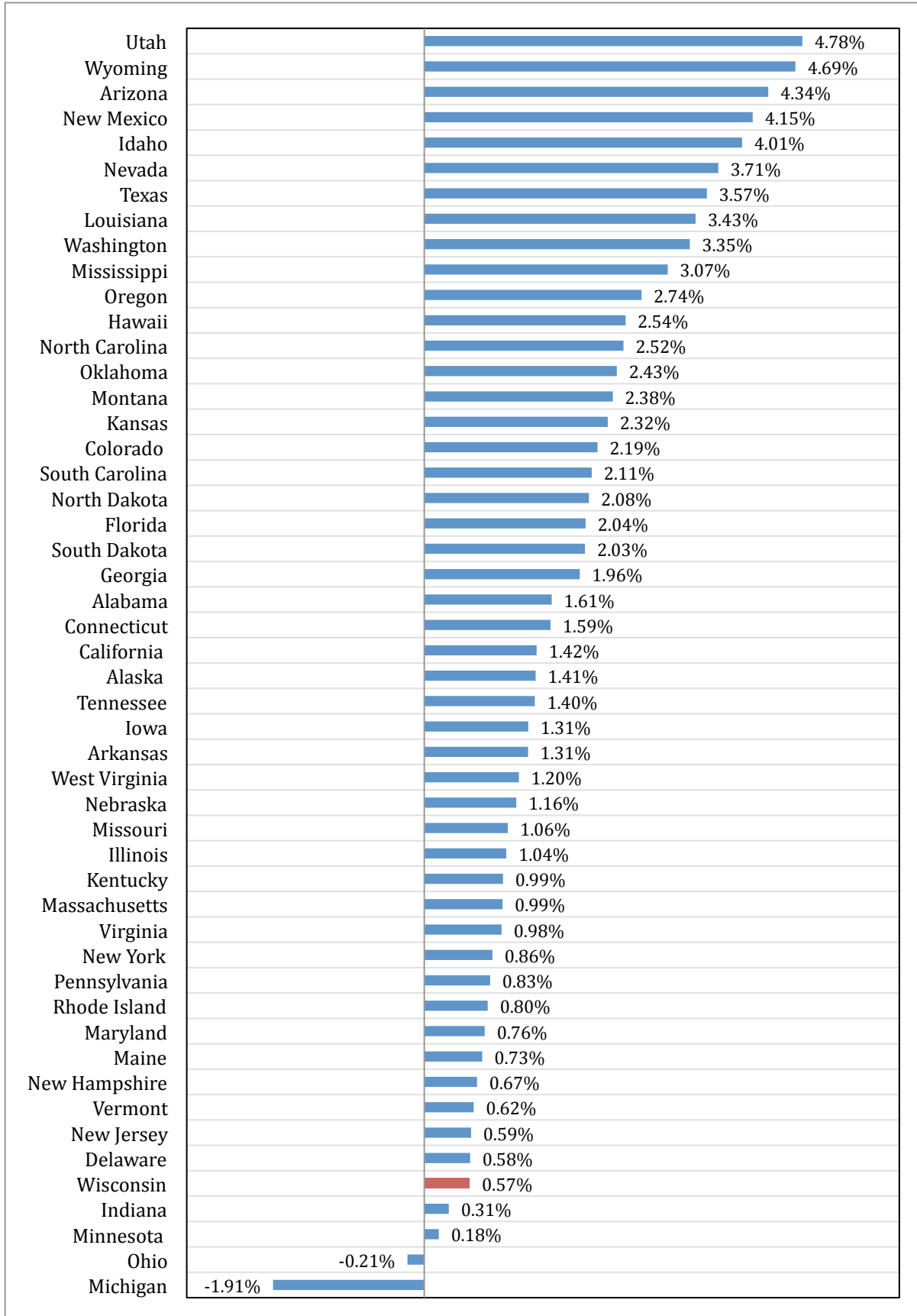


Figure 6:
Year-Over-Year Employment Change, By State: September 2006-2007

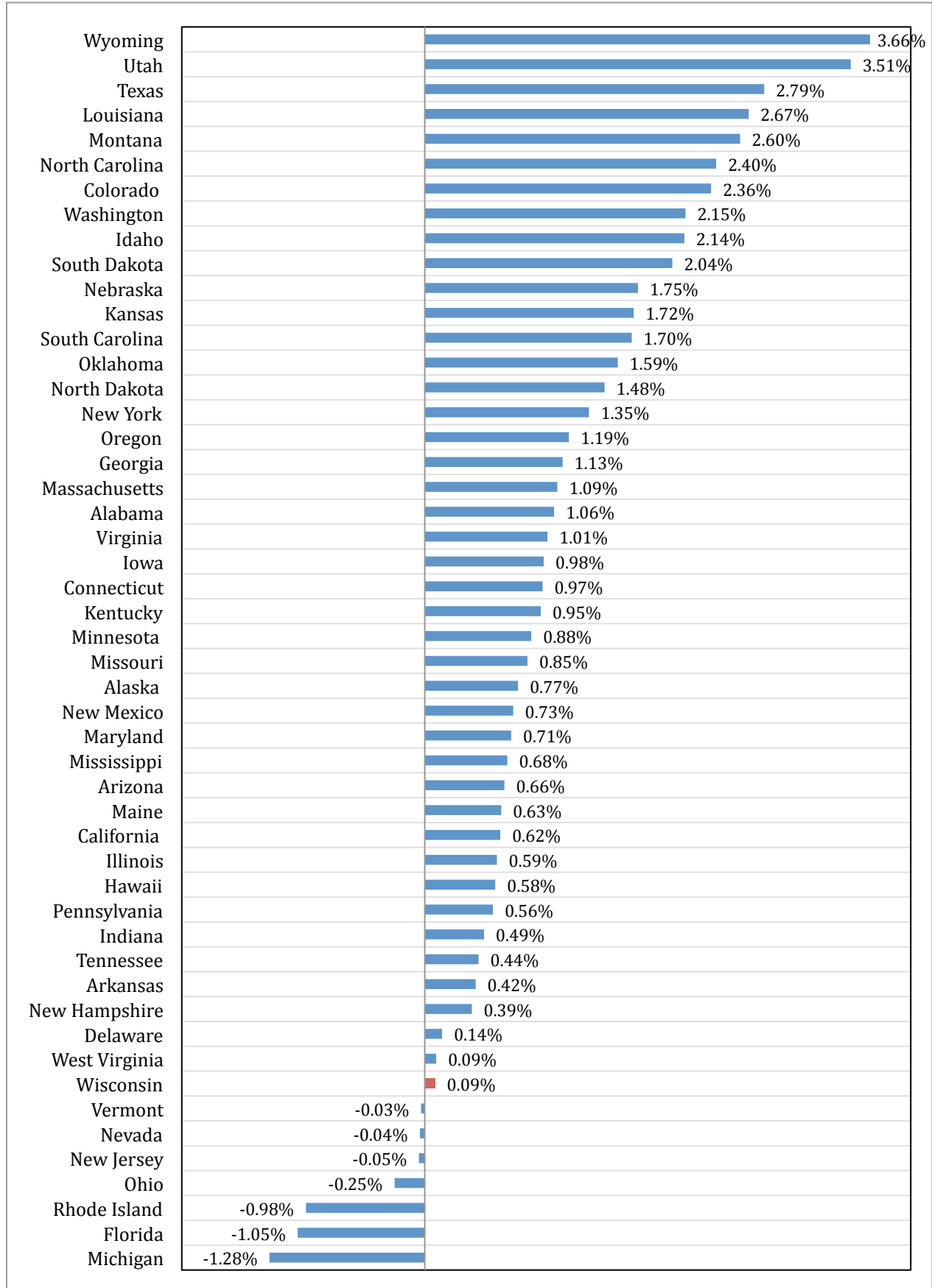


Figure 7:
Year-Over-Year Employment Change, By State: September 2007-2008

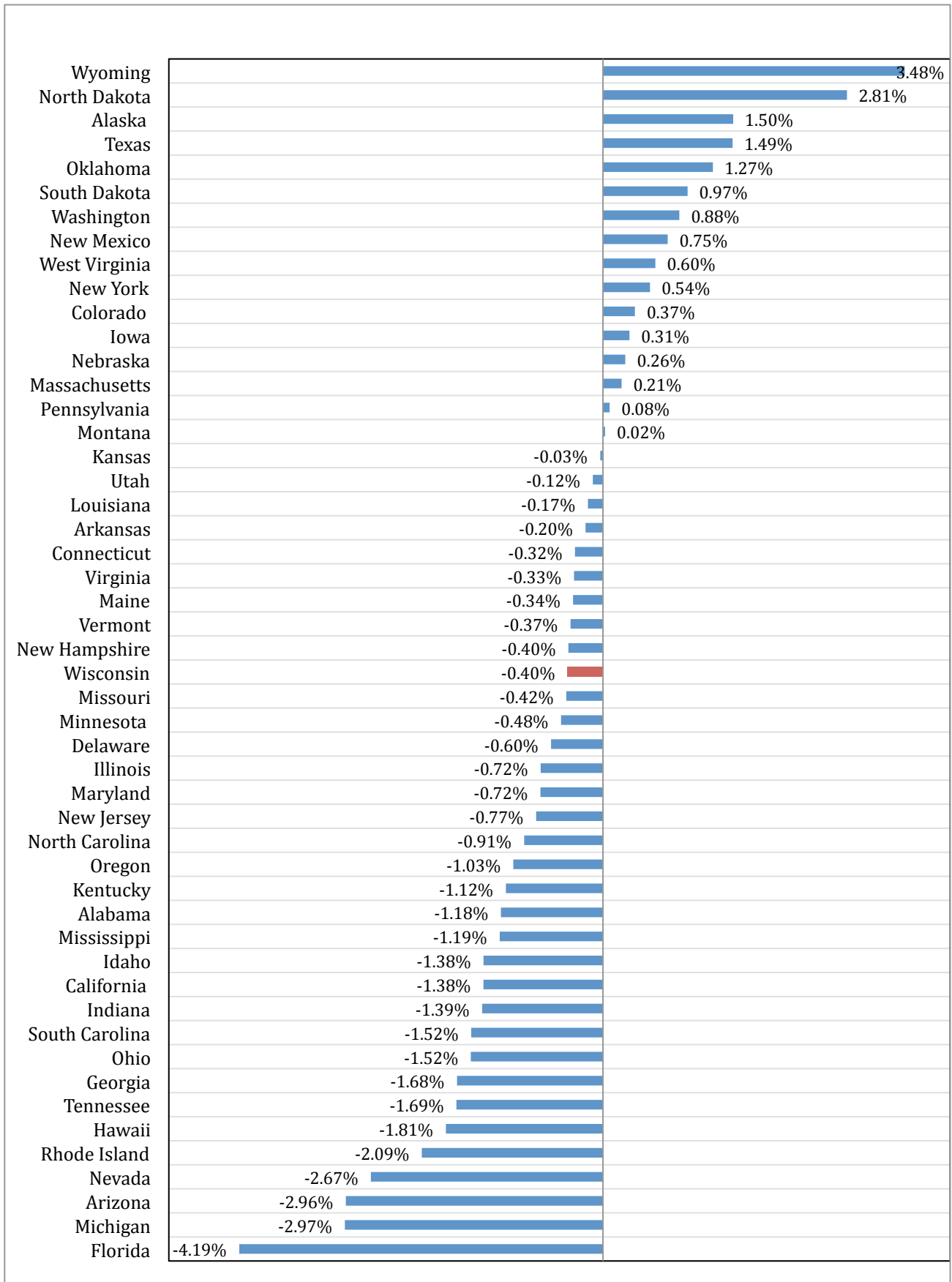


Figure 8:
Year-Over-Year Employment Change, By State: September 2008-2009

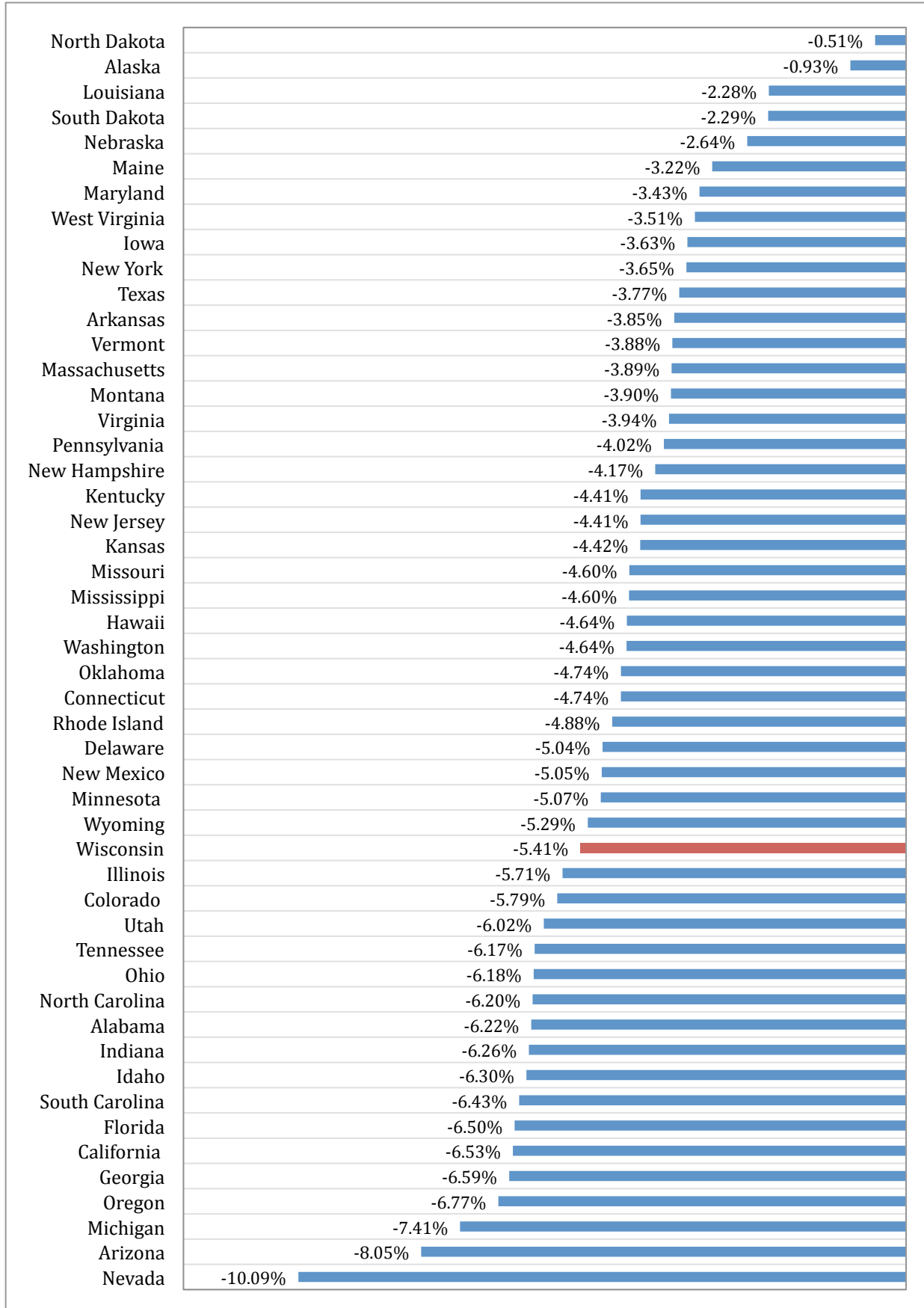


Figure 9:
Year-Over-Year Employment Change, By State: September 2009-2010

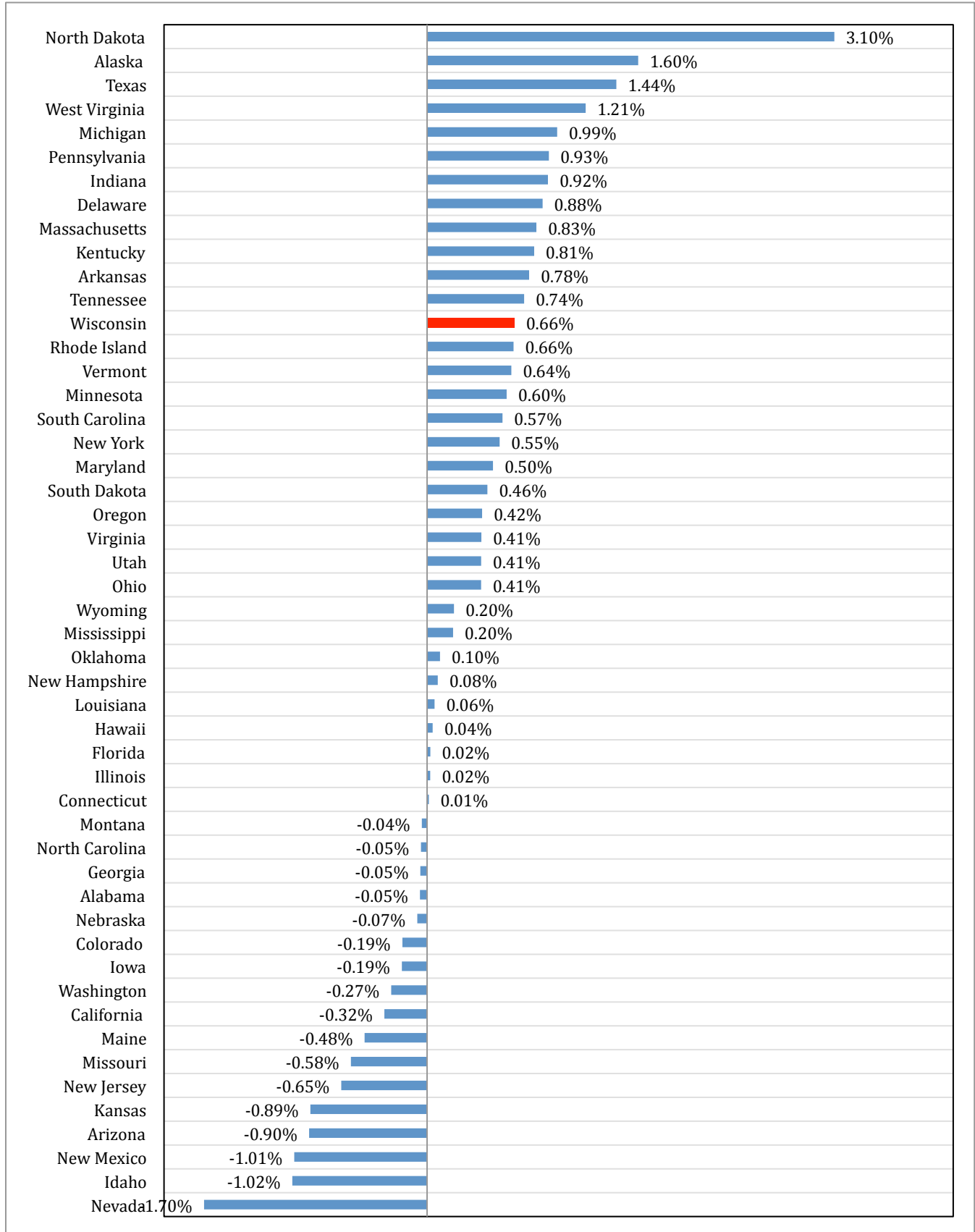


Figure 10:
Year-Over-Year Employment Change, By State: September 2010-2011

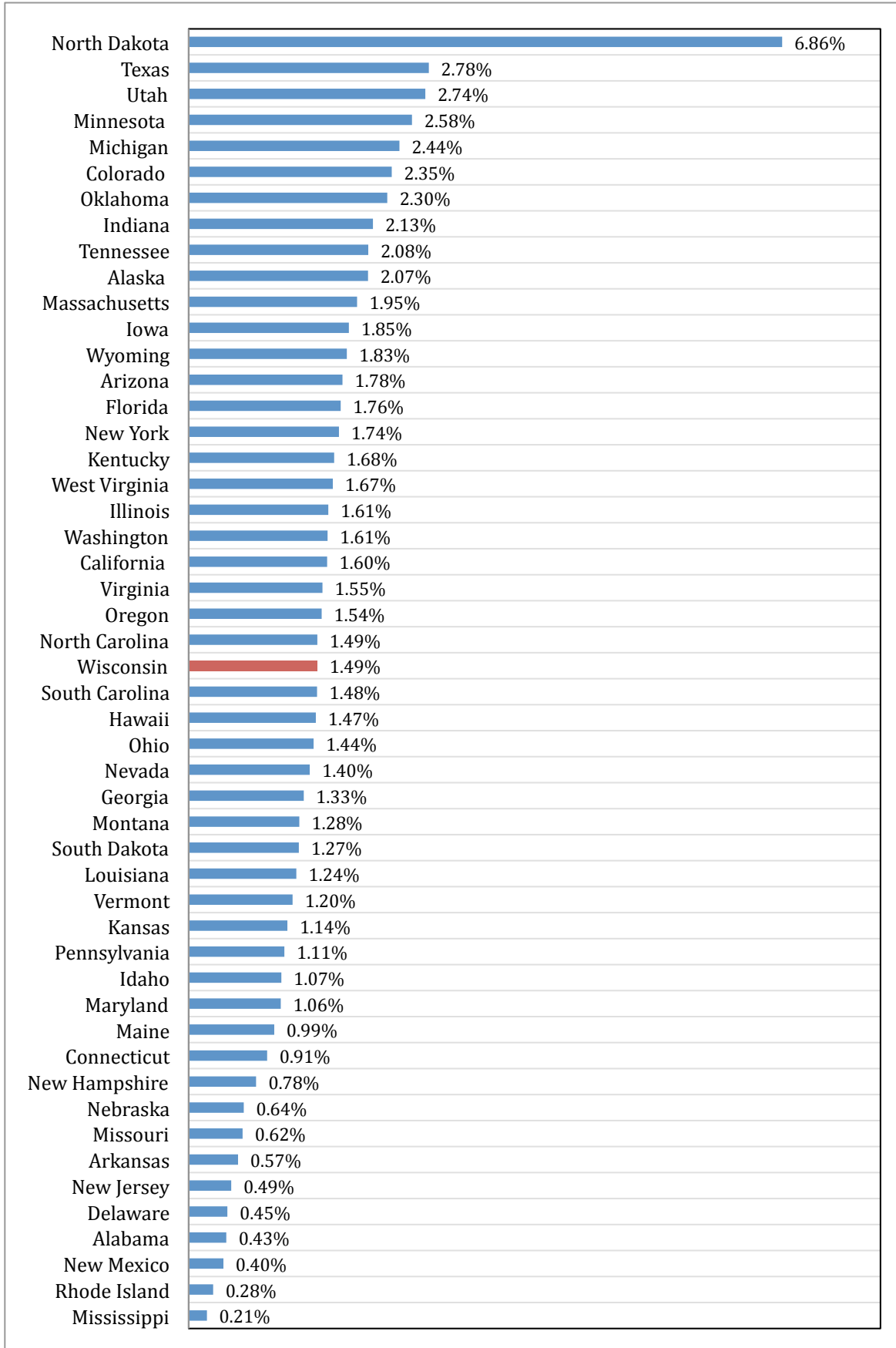


Figure 11:
Year-Over-Year Employment Change, By State: September 2011-2012

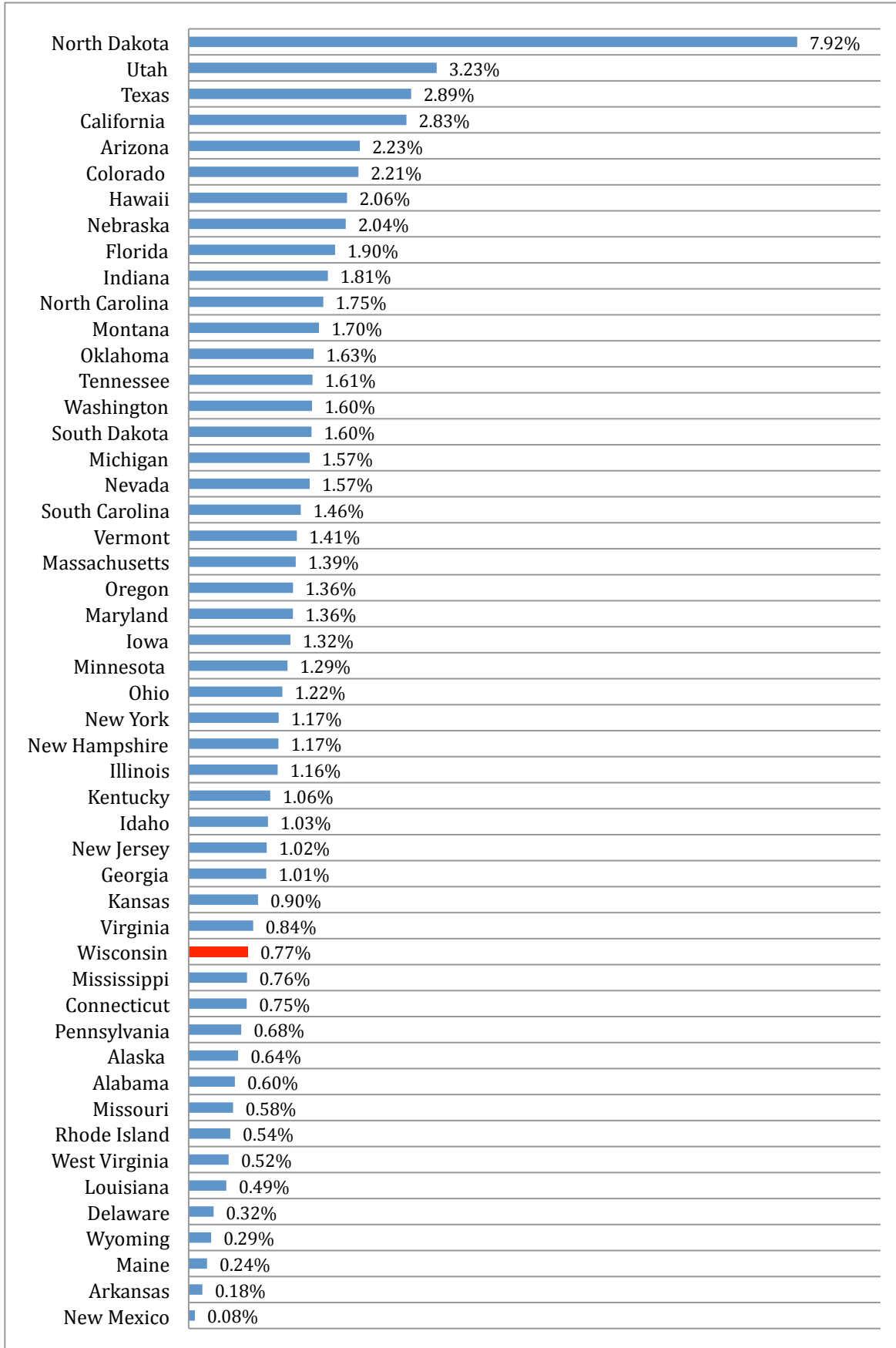


Figure 12:
Year-Over-Year Employment Change, By State: September 2012-2013

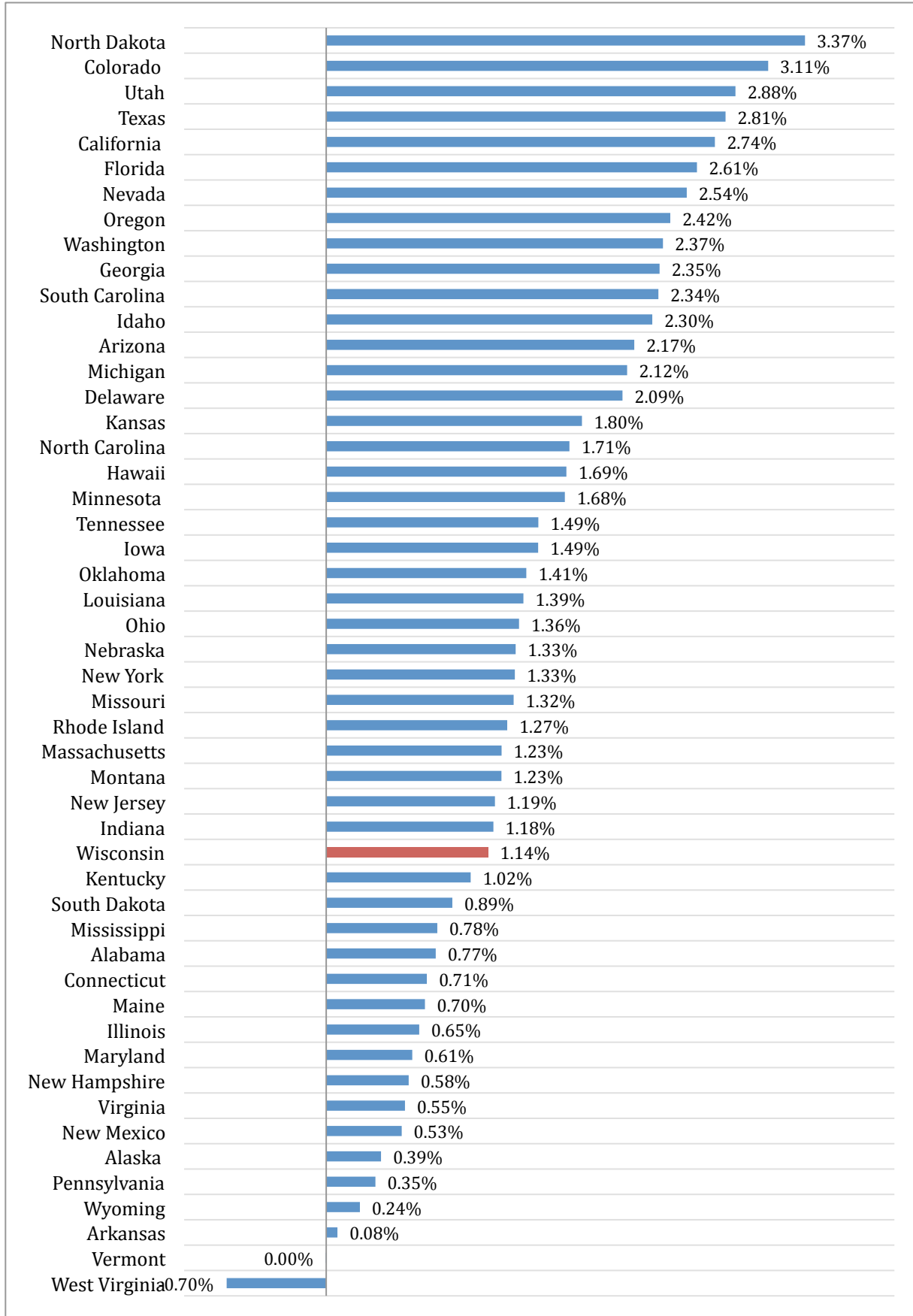


Figure 13:
Year-Over Year Employment Change: Wisconsin v. the U.S. – (September) 2002-2013

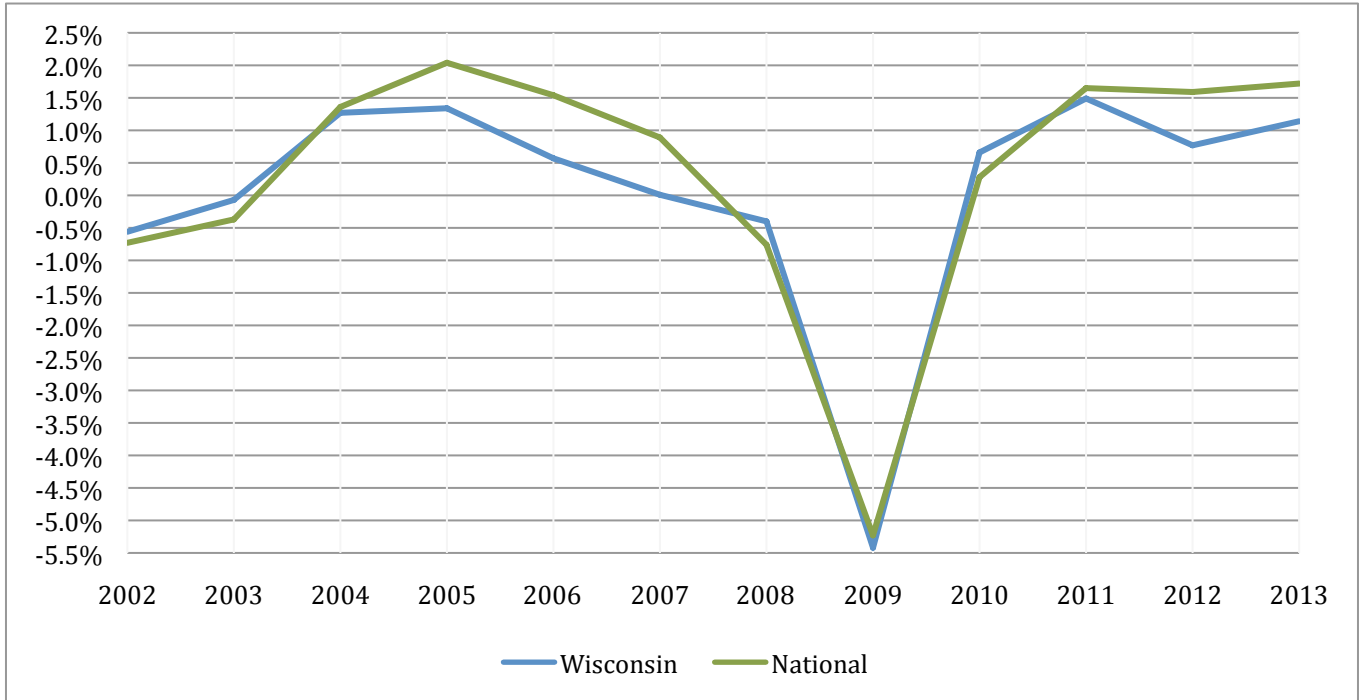


Table 2:
Year-Over-Year Employment Change:
Wisconsin v. the United States: (September) 2002-2013

Year	Wisconsin	United States
2002	-0.56%	-0.73%
2003	-0.07%	-0.37
2004	1.27%	1.36%
2005	1.34%	2.04%
2006	0.57%	1.54%
2007	0.09%	0.89%
2008	-0.40%	-0.76%
2009	-5.42%	-5.23%
2010	0.66%	0.28%
2011	1.49%	1.65%
2012	0.77%	1.59%
2013	1.14%	1.72%

Figure 14:
Year-Over-Year Employment Change: Wisconsin v. Minnesota – (September) 2002-2013

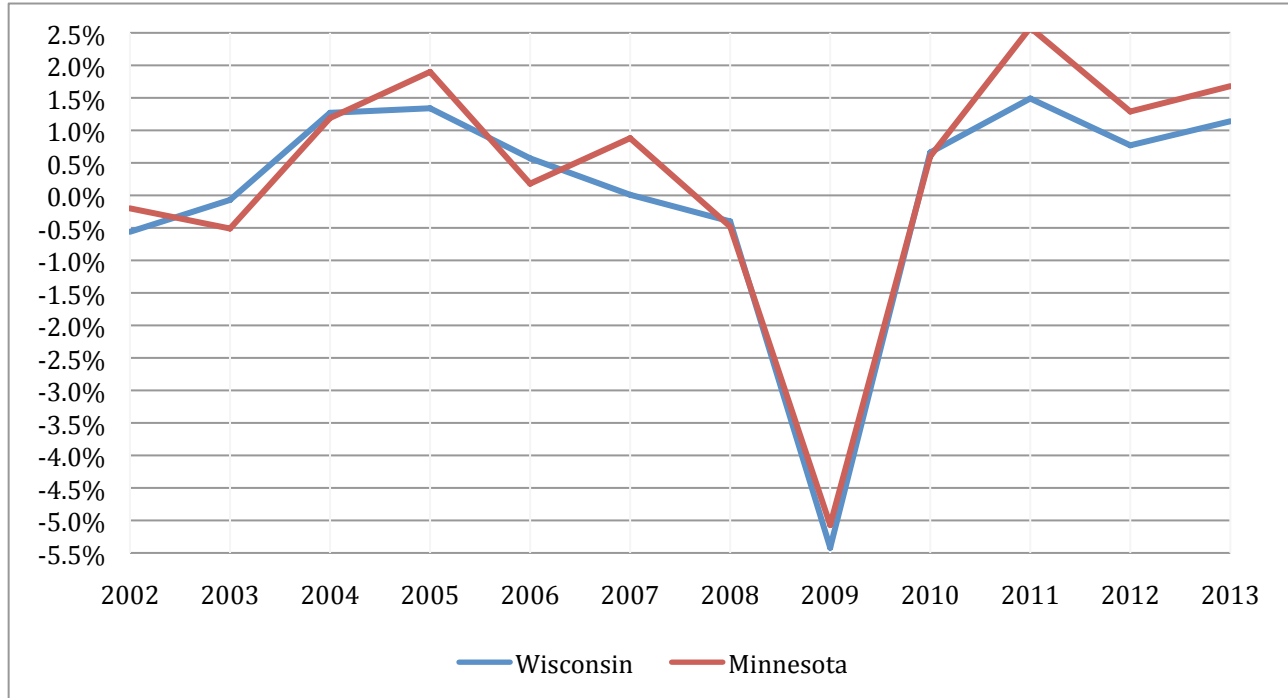


Table 3:
Year-Over-Year Employment Change:
Wisconsin v. Minnesota: (September) 2002-2013

Year	Wisconsin	Minnesota
2002	-0.56%	-0.20%
2003	-0.07%	-0.51%
2004	1.27%	1.19%
2005	1.34%	1.90%
2006	0.57%	0.18%
2007	0.09%	0.88%
2008	-0.40%	-0.48%
2009	-5.42%	-5.07%
2010	0.66%	0.60%
2011	1.49%	2.58%
2012	0.77%	1.29%
2013	1.14%	1.68%

Figure 15:
Wisconsin's Rank:
Year-Over-Year Employment Change Among All States
September 2002-2013

