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Monitoring Wisconsin

Quarterly newsletter of the Institute for Survey & Policy Research, University of Wisconsin-Milwaukee

Spring 2004

The Institute for Survey & Policy Research (ISPR) of the University of Wisconsin-Milwaukee (UWM) takes great pride in presenting to you its first issue of ***Monitoring Wisconsin,*** *where we analyze current issues of concern regarding economic activity in the Badger State. Future issues will include analyses of the prominent sectors of Wisconsin's economy, forecasts using the latest econometric techniques, and reports by UWM faculty on their Wisconsin-based research.*

Wisconsin's Labor Market: Cycle or Trend?

With a total population of approximately 5.5 million, Wisconsin has a highly diversified economy. Historically, the economy of the state has been dominated by agriculture (largely dairy production) and manufacturing. Indeed, in 2002, Wisconsin ranked third in the nation in manufacturing jobs as a percent of non-farm jobs. Despite significant job losses in this sector, manufacturing remains one of the strongest forces behind the state's economy.

The current recovery has been described as "jobless" because employment has lagged behind gains made in productivity more so in this than in previous recoveries. Wisconsin's unemployment remained lower than the national average all through the recession and continues to be lower as the economy (together with the rest of the nation) struggles with a sluggish recovery.

During 2001 and 2002, Wisconsin lost 65,000 jobs. In the first quarter of 2003, Wisconsin economy actually showed signs of job growth with nearly 1,000 jobs added. This was followed by a substantial job growth in the second quarter with the addition of 13,400 jobs, and a weaker showing of 2,800 jobs in the third. Recent data on employment show a slight improvement over the previous quarter (see Table 1).

Labor Market Outlook by Sector

Manufacturing, wholesale/retail trade, and services (include business and professional services, leisure and hospitality, and other services) together accounted for 60 percent of all non-farm employment in Wisconsin during the last quarter of 2003. These sectors suffered significant decline in employment during the recession of 2001. As the national economy showed some signs of strength, gains in these sectors have been uneven and mixed. This sluggish growth has been evident in all sectors of the national economy. However, Wisconsin has, proportionally, performed better than the national economy.

The Bureau of Labor Statistics (BLS) of the U. S. Department of Labor reported that between December 2003 and January 2004, 31 states recorded increases in total non-farm employment while 19 states recorded decreases. Wisconsin recorded the third largest increase (+21,300) among the 31 states (and the District of Columbia) that had increase in employment. Ohio recorded an increase of 23,600 jobs; California 22,000; and Indiana 18,300, during that period.

Table 1

Employment and Labor Force · Household Survey (In Thousands, Seasonally-adjusted)

	Feb 2004	Jan 2004	Feb 2003	Yearly Change	Monthly Change
Labor Force	3,120.2	3,115	3,062.5	57.7	5.2
Employed	2,956.9	2,958.5	2,885.5	71.4	-1.6
Unemployed	163.2	156.4	177.1	-13.9	6.8
WI Unemployment Rate	5.20%	5.00%	5.80%	-0.60%	0.20%
US Unemployment Rate	5.60%	5.60%	5.90%	-0.30%	0%

Source: Wisconsin Department of Workforce Development

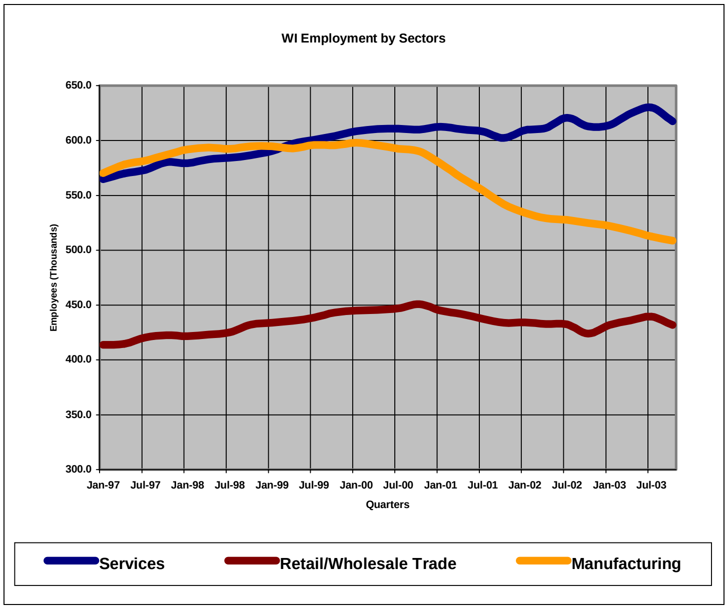
Of the three sectors mentioned above, manufacturing suffered the most, in terms of employment, during the recession. This sector is still losing jobs even as the national economy shows signs of strength (see Chart 1). In general most sectors of the Wisconsin economy have not returned to pre-recession employment levels. Nationally, non-farm employment growth has been very sluggish with the employment levels significantly below what it was before the recession of 2001.

Services

Employment in the service sector made up 22 percent of all non-farm employment in the state of Wisconsin in 2003. Most of the jobs created in Wisconsin in the past two decades have been in the service sector. Today, the service sector continues to lead all the other sectors in job creation.

(continued on page 2).

Chart 1



Source: US Department of Labor, Bureau of Labor Statistics

This sector could also be undergoing some structural change. In the third quarter of 2001, the service sector lost almost 6,000 jobs, but by the first quarter of 2002 it had added a total of 7,000 jobs. There was another significant drop in the fourth quarter of 2002 when the sector lost almost 8,000 jobs. In general, it seems that demand for services has been more stable than the demand for manufactured products.

Manufacturing

Manufacturing was most severely impacted by the last recession both nationally, regionally, and even at the local levels. As the economic upturn is underway, manufacturing continues to experience a more sluggish job growth than other sectors. This is true for Wisconsin's manufacturing sector, which, in 2001, accounted for 20 percent of all non-farm employment. This sector suffered its worst quarterly loss in employment during the second quarter of 2001 when it lost 13,100 jobs or 2.3 percent of its work force. For the entire year 2001, manufacturing in Wisconsin lost over 48,000 jobs – an average of 12,000 jobs per quarter. The recovery has not produced any significant changes in job growth in Wisconsin's manufacturing sector. The rate of job loss has, however, declined somewhat. Between the last quarter of 2001 and the third quarter of 2002, job loss in manufacturing improved from 2.3 percent to 0.2 percent. Overall, the sector seems to be losing more jobs than it is creating during this period of "jobless recovery" (see Chart 2). Although there are signs that the employment in manufacturing is improving.

In Wisconsin, as well as in other areas of the country, employment in manufacturing has been declining in the last two decades. Such decline may be evidence of some fundamental change in the structure of the manufacturing sector. In certain circles, this ob served weakness in manufacturing job growth is attributed to the effect of outsourcing of jobs to other countries. Some job loss could also be attributed to the productivity gains. Whatever the cause, job loss in manufacturing may affect the standard of living in Wisconsin as workers move from relatively higher- paying manufacturing jobs to lower-paying services occupations.

Wholesale and Retail Trade

Wisconsin appeared to have fared well in the Wholesale and Retail sector of the economy. This sector accounts for 16 percent of total non-farm employment in Wisconsin. The worst job loss in this sector occurred during the fourth quarter of 2002 when its employment declined by 2.1 percent. During most of 2003, this sector actually added more jobs. Job losses in this sector during the recession were not as bad as in the manufacturing sector.

Typically employment in this sector tends to rise substantially during an economic upturn as businesses increase their hiring of workers to meet rising consumer demand due to increased economic activity. For the past three consecutive quarters, wholesale and retail trade has made substantial gains in job creation. However, the gains made are much less than expected. In the second quarter of 2003, this sector added almost 8,000 jobs. In the following two quarters, job growth was 4,300 and 3,600, respectively. The last quarter actually showed a significant loss of 7,600 jobs. Sluggish increase in jobs, at a time when there is evidence of increased business profitability, may be because businesses are being cautious about hiring until they are sure that the recovery will continue.

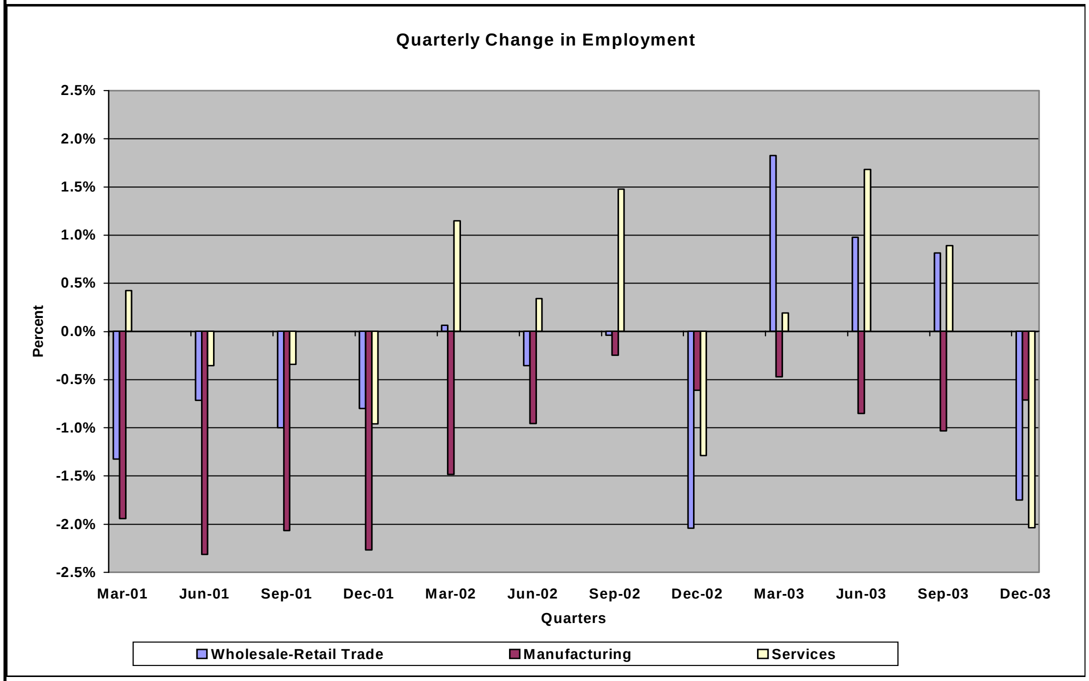
The future of wholesale and retail trade seems rosier than some of the other sectors of Wisconsin economy. Even with the sluggish growth, this sector may still pick up pace as the general economy continues to improve and employers gain more confidence in the longevity of the recovery.

Concluding Remarks

In this article we have shown that the labor market in Wisconsin suffered significant job losses as a result of the 2001 recession. Loss of jobs in Wisconsin, although severe in sectors such as manufacturing, was relatively not as bad as in many of the other states. Together with the rest of the nation Wisconsin is striving to cope with a very sluggish recovery.

The extent of job losses in the Wisconsin economy raises a few questions. First, how does the Wisconsin experience compare to that of the surrounding states, especially those around the Great Lakes? Second, are these job losses in the various sectors of the Wisconsin economy permanent? Third, if these job losses are of a more permanent nature, what can Wisconsin policy makers do to try to reverse this trend? In the next issue of the ***Monitoring Wisconsin***, we will begin to address these questions. ■

Chart 2



Source: Wisconsin Department of Workforce Development

Wisconsin Economic Data

The following pages contain pertinent economic data on key aspects of Wisconsin's economy. Future issues of *Monitoring Wisconsin* will provide updates and econometric forecasts of these data in order to provide a glimpse of Wisconsin's economic future and Wisconsin's position relative to her neighbors and the nation. The sources for the data shown here are the US Census Bureau, the Bureau of Economic Analysis, and the Bureau of Labor Statistics. When necessary, the ISPR has refined the data to make it comparable over time. Complete series are available upon request.■

Table 2 · Wisconsin Employment Data (in Thousands)

	1990	1995	2000	2001	2002	2003.I	2003.II	2003.III	2003.IV
Labor Force	2583.3	2882.3	2968.1	3032.1	3024.8	3060.1	3076.4	3090.3	3086.1
Total Employment	2468.8	2775.5	2862.7	2895.0	2858.2	2883.2	2901.3	2915.0	2918.6
Total Nonfarm Employment	2291.5	2558.6	2833.8	2813.9	2782.4	2793.2	2786.8	2774	2768.2
Natural Resources & Mining	3.9	4.2	4.0	3.9	3.8	3.8	3.7	4.0	3.9
Construction	87.9	101.7	124.8	125.4	124.1	123.3	123.7	123.2	123.4
Manufacturing	523.0	566.6	594.1	560.3	528.3	512.7	507.0	505.5	502.4
Trade, Transportation & Utilities	458.7	502.4	552.9	547.7	536.7	534.5	538.0	542.6	540.1
Information	44.4	45.2	53.6	53.3	51.2	50.5	49.9	49.2	48.9
Financial Activities	123.9	134.3	149.1	151.8	153.8	155.8	157	158.3	159.7
Professional & Business Services	153.6	206.9	247.0	238.5	239.8	244.2	242.8	246.4	245.0
Leisure & Hospitality	199.3	217.9	236.7	238.6	240.4	243.5	244.1	250.2	244.8
Educational & Health Services	237.4	280.4	339.6	349.6	357.2	362.3	363.8	370	371.5
Other Services	116.6	120.3	126.3	131.3	132.2	132.6	132.9	132.3	129.8
Government	342.9	378.7	405.6	413.7	414.8	414.5	415.8	408.0	409.2

Source: Bureau of Labor Statistics

About ISPR:

The Institute for Survey & Policy Research (ISPR), a premier institute dedicated to high quality surveys and policy research, was established in 1968. It is a major resource for the University of Wisconsin-Milwaukee (UWM), the greater Milwaukee area, and the State of Wisconsin. Its services include the following:

- **The Greater Milwaukee Survey** – semiannual cost-shared survey of public opinion in the Milwaukee metropolitan area.
- **The Wisconsin Poll** – semiannual cost-shared survey of public opinion in the State of Wisconsin.
- **Monitoring Wisconsin** – quarterly review of the Wisconsin economy. It includes an analysis of a prominent sector of the economy, forecasts by sector using the latest techniques, and reports by UWM faculty on their Wisconsin-based research.
- **Survey Research** – survey research, program evaluation, needs assessment, policy research.
- **Econometric Research** – economic impact studies, economic forecasting.
- **Data Archive**—US Census Data, ICPSR data, economic data, demographic data.

In addition, the ISPR can help meet your organization's survey needs by providing the following services:

- **Proposal Assistance** – The ISPR can aid in preparing survey cost estimates and the writing of research proposals.
- **Sampling** – The ISPR can help you to choose the proper sampling frames for surveys that your organization conducts.
- **Questionnaire Design** – The ISPR can work with you to create surveys with proper question wording, question order and layout to ensure accurate data collection.
- **Survey Data Collection** – The ISPR can conduct surveys by telephone, in person, by mail, and on the Internet. All data collection is done by the ISPR's professionally-trained and supervised interviewing staff. Telephone surveys are conducted on the ISPR's state-of-the-art Computer-Assisted Telephone Interviewing (CATI) system.
- **Statistical Analysis** – If your organization has a survey that requires special statistical analysis, ISPR staff are trained in the latest computer software and statistical techniques.

For more information, please contact Professor Swarnjit S. Arora, Director of ISPR, by email at ssa2@csd.uwm.edu or at 1.414.229.5313. Visit us on the web at http://www.uwm.edu/Dept/ISPR/.

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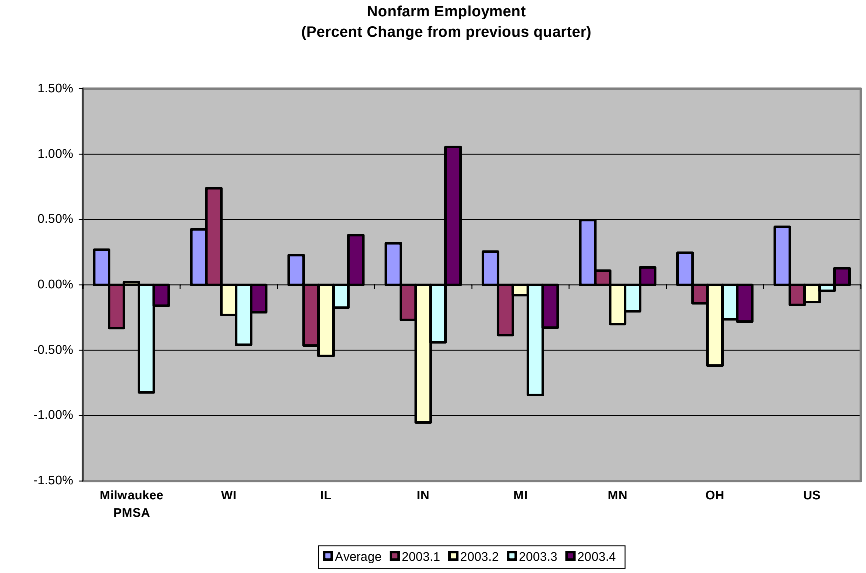
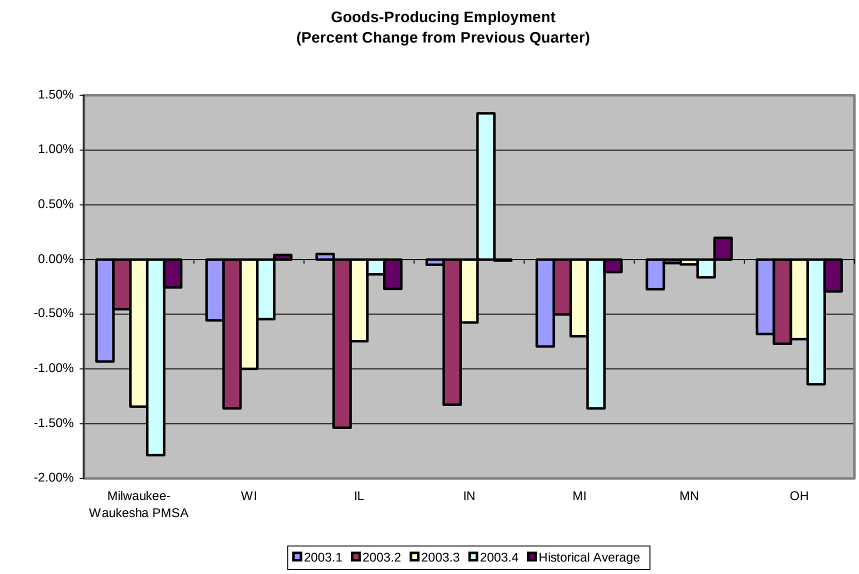


Seasonally-Adjusted, Non-farm Employment (Thousands)

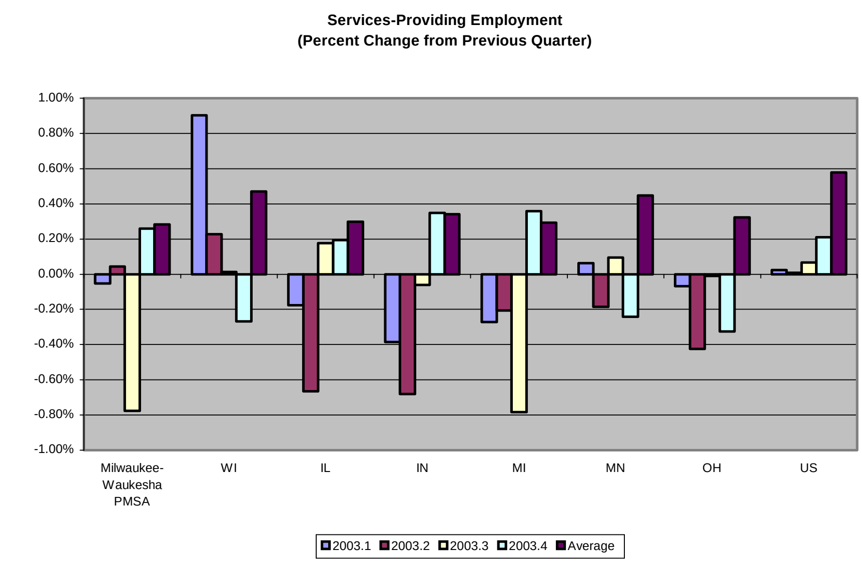
2003Q	WI	US
1	2,793.2	130,047.3
2	2,786.8	129,877.7
3	2,774	129,819.7
4	2,768.2	129,985.5
Average (1977-present)	2,298.8	108,088.1



Seasonally-Adjusted, Goods-Producing[1] Employment (Thousands)

2003Q	WI	US
1	646.1	22,025.3
2	637.3	21,848
3	630.9	21,717.7
4	627.5	21,676.7
Average (1977-present)	663.7	23,426.6

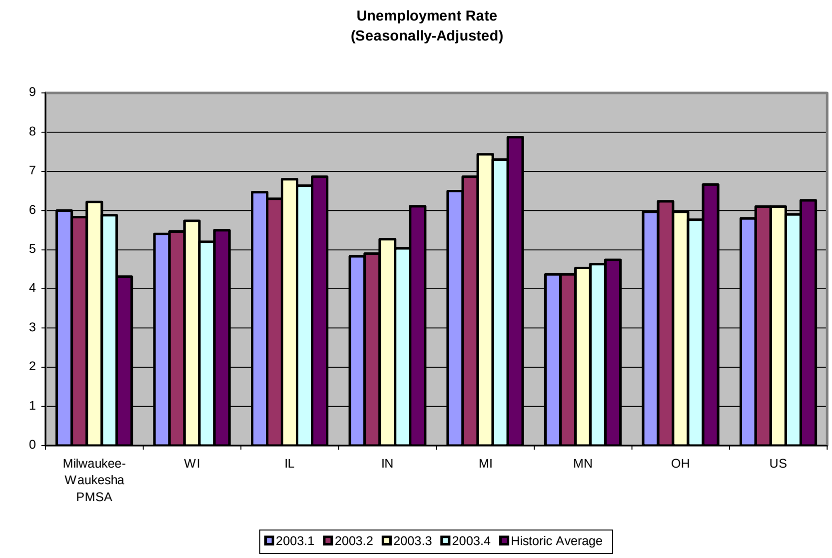
[1] Goods-producing includes mining, manufacturing, and construction



Seasonally-Adjusted, Services-Providing[2] Employment (Thousands)

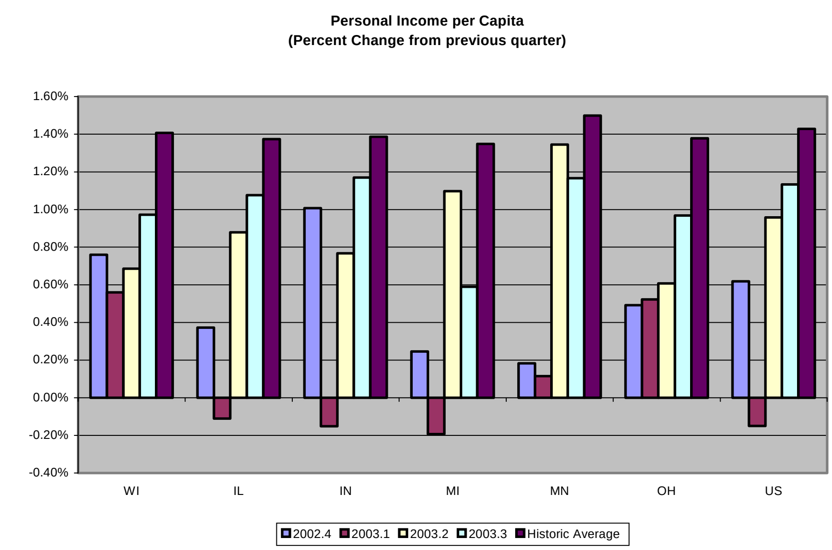
2003Q	WI	US
1	2,143.03	108,022
2	2,147.9	108,029.7
3	2,148.2	108,102
4	2,142.5	108,328
Average (1977-present)	1,934.72	84,661.7

[2] Service-providing includes non-farm minus goods-producing employment.



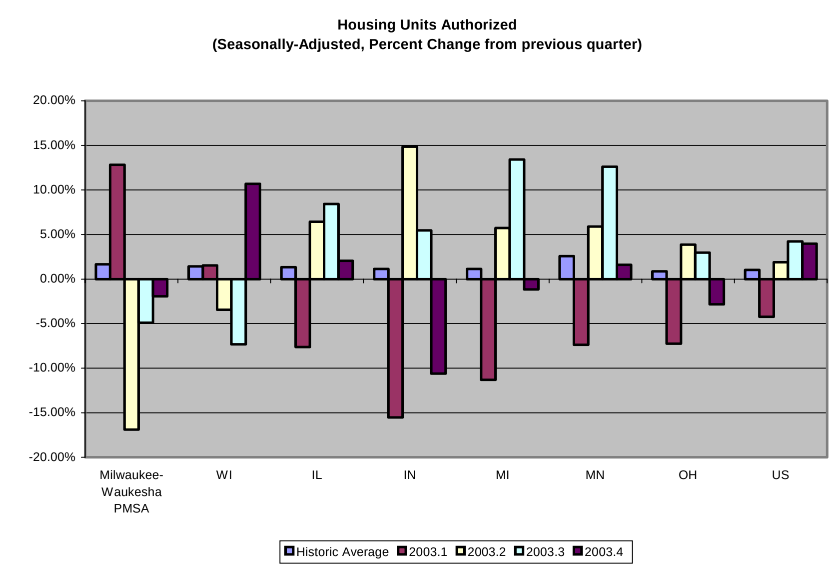
Unemployment Rate (Seasonally Adjusted)

2003Q	WI	US
1	5.4	5.8
2	5.5	6.1
3	5.7	6.1
4	5.2	5.9
Average (1977-present)	5.5	6.3



Per Capita Personal Income Seasonally-Adjusted

2003Q	WI	US
1	$30,536	$31,146
2	$30,745	$31,445
3	$31,044	$31,801
Average (1977-present)	$18,599	$19,442



Housing Units Authorized, Seasonally-Adjusted (Thousands)

2003Q	WI	US
1	3.4	1,750
2	3.3	1,783
3	3.1	1,859
4	3.4	1,932
Average (1977-present)	2.8	1,566