



Center for  
Research  
**On the**  
**Wisconsin**  
**Economy**  
University of Wisconsin- Madison

# Wisconsin and the National Economy

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# CROWE and the Wisconsin Economy

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Center for Research **On** the **Wisconsin** Economy (CROWE)

<https://crowe.wisc.edu>



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# CROWE: Brief Introduction

- Center for Research on the Wisconsin Economy (CROWE) established in 2017 in the Department of Economics
- **Primary mission:** support and disseminate economic policy research, with particular focus on Wisconsin economy and state-level economic policy issues.
- Provide economic research opportunities for UW-Madison students, outreach from UW to business and policy
- Staff: Director, economists, fellows in Dept. of Economics, administrator
- Researchers: Undergraduate, masters, and Ph.D. students helping with research

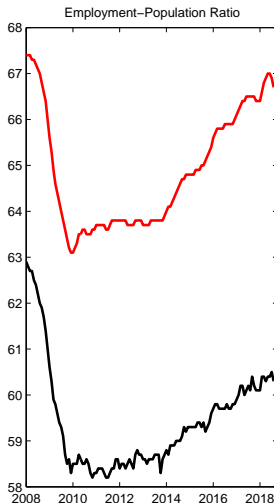
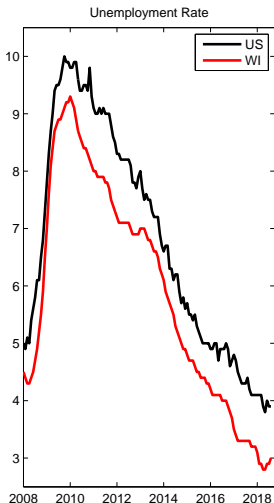
- The Impact of the Manufacturing and Agriculture Credit in Wisconsin
- The Economic Impact of the Foxconn Proposal
- Economic Performance in Wisconsin Since the Great Recession: A County-Level Analysis
- The Effects of Minnesota's Minimum Wage Increases
- The Impacts of State Tax Structure: A Panel Analysis
- UW-Madison and the State of Wisconsin
- **More to come:** capital and productivity, tax reform, business dynamics, migration

# The State of the Wisconsin Economy

- Tight labor market: low unemployment, high employment-population ratio
- Long and continued expansion: growth in incomes, recovery across state
- Labor force challenges: low population growth, aging workforce, net outmigration
- Economic policy impacts: Manufacturing and Agriculture  
Credit, minimum wage

# The Wisconsin Labor Market is Tight

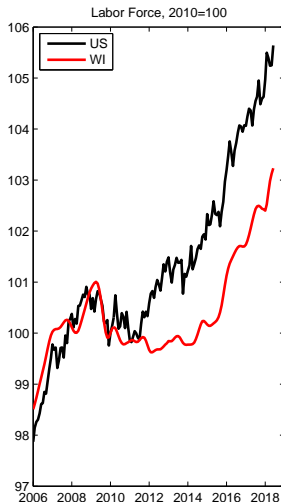
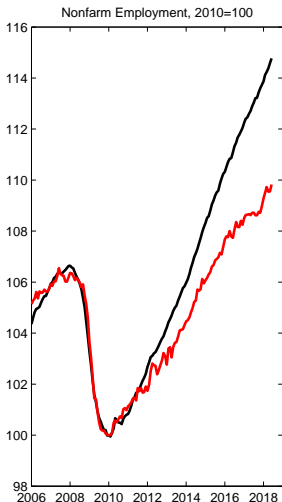
Unemployment: 3.0% (US 3.9), participation: 68.8% (US 62.7)  
⇒ Employment-population 66.7% (#5, US 60.3)



# Employment and Labor Force

Private earnings grew by over 5% over past year (US 2.7)

Job growth steady but lower, driven by slow workforce growth



# Aging of the Population

Distribution of population, Census Bureau

|            | <u>United States</u> |             |             | <u>Wisconsin</u> |             |             |
|------------|----------------------|-------------|-------------|------------------|-------------|-------------|
|            | <u>1999</u>          | <u>2010</u> | <u>2015</u> | <u>1999</u>      | <u>2010</u> | <u>2015</u> |
| Under 20   | 28.7                 | 26.9        | 25.6        | 28.8             | 26.4        | 25.1        |
| 20-44      | 37.0                 | 33.6        | 33.4        | 36.2             | 32.2        | 31.6        |
| 45-54      | 13.1                 | 14.5        | 13.4        | 13.3             | 15.3        | 13.9        |
| 55-65      | 8.6                  | 11.9        | 12.7        | 8.6              | 12.4        | 13.8        |
| 65+        | 12.7                 | 13.1        | 14.9        | 13.2             | 13.7        | 15.6        |
| Median Age | 35.5                 | 37.2        | 37.8        | 36               | 38.5        | 39.2        |



# Net Outmigration

Persistent issue over past decade, but not as severe as IL

2016 IRS Data

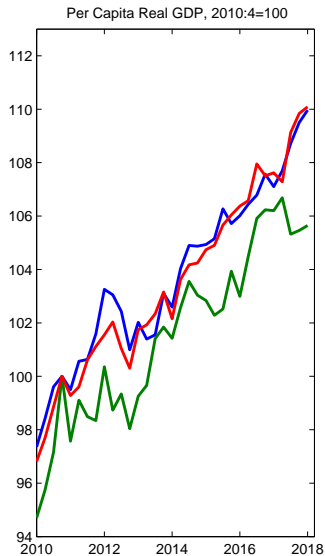
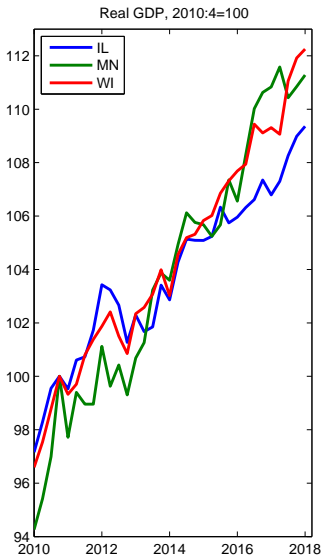
| Net Inflows (exemptions)  | Wisconsin     |              | Illinois       |              |
|---------------------------|---------------|--------------|----------------|--------------|
|                           | Number        | Percent      | Number         | Percent      |
| Total                     | <b>-7,078</b> | <b>-0.15</b> | <b>-86,858</b> | <b>-0.80</b> |
| \$1 under \$10,000        | -413          | -0.16        | -4,829         | -0.89        |
| \$10,000 under \$25,000   | -1,961        | -0.27        | -15,823        | -0.82        |
| \$25,000 under \$50,000   | -1,356        | -0.12        | -12,962        | -0.53        |
| \$50,000 under \$75,000   | -835          | -0.10        | -10,928        | -0.67        |
| \$75,000 under \$100,000  | -453          | -0.07        | -9,728         | -0.78        |
| \$100,000 under \$200,000 | -976          | -0.10        | -20,368        | -0.95        |
| \$200,000 or more         | -1,084        | -0.42        | -12,220        | -1.42        |

Declined in latest Census data: -11,439 in 2016 to -2,086 in 2017

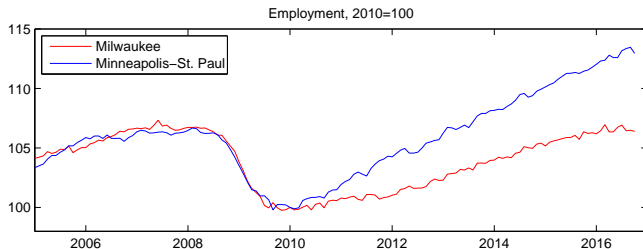
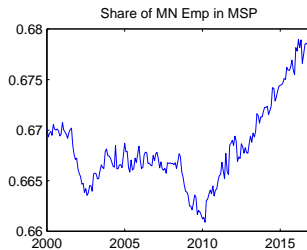
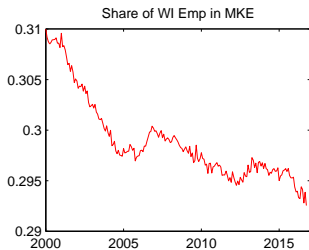
# Differences in Sector Shares and Growth

| Real GDP by State by Industry      | United States |                | Wisconsin  |                |
|------------------------------------|---------------|----------------|------------|----------------|
|                                    | 2016 Share    | 2011-16 Growth | 2016 Share | 2011-16 Growth |
| All industry total (billion)       | \$ 16,259     | 10.5           | \$ 273     | 7.4            |
| Private industries                 | 88.0          | 12.3           | 89.1       | 8.9            |
| Construction                       | 4.0           | 19.7           | 3.9        | 21.8           |
| Manufacturing                      | 11.7          | 5.3            | 18.6       | 4.3            |
| Wholesale & Retail trade           | 12.1          | 13.2           | 12.0       | 12.1           |
| Information                        | 5.5           | 23.2           | 3.8        | 24.5           |
| Finance and insurance              | 6.3           | 4.3            | 7.0        | 11.0           |
| Real estate and rental and leasing | 13.5          | 11.2           | 12.5       | 2.9            |
| Professional, scientific services  | 7.4           | 17.6           | 4.3        | 13.6           |
| Health care and social assistance  | 7.5           | 14.5           | 8.8        | 8.4            |
| Government                         | 12.0          | -0.7           | 10.9       | -3.2           |

# Real Output Growth: Level and Per Capita



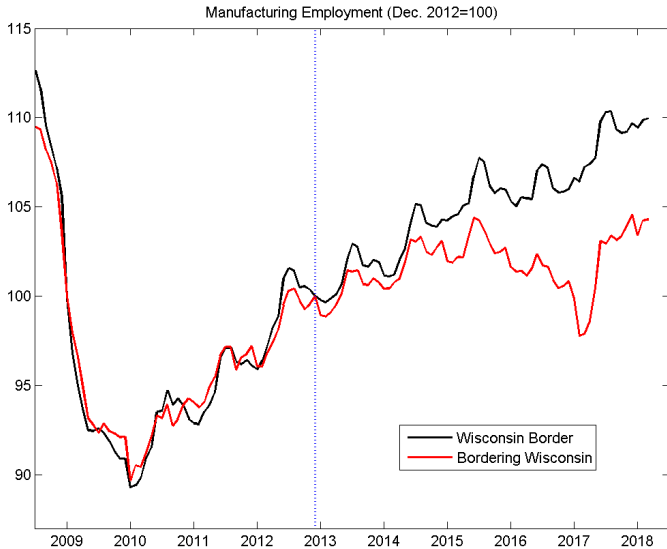
# Urban Concentration: Wisconsin vs Minnesota



# Impact of the Manufacturing and Agriculture Credit

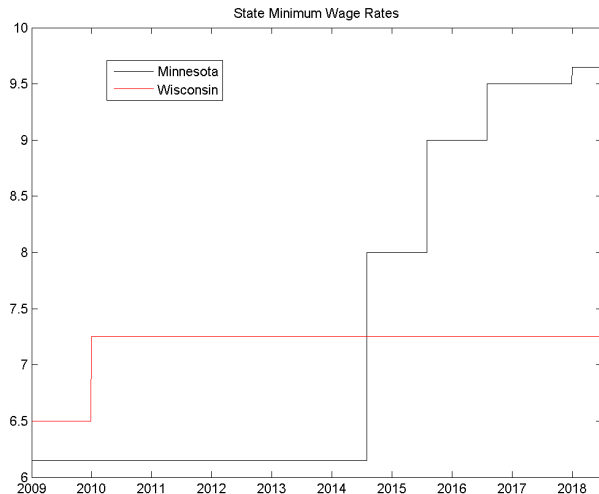
- The MAC took effect in 2013, provides credits which largely offset the taxes faced by businesses in those sectors in the state.
- I analyzed how much of manufacturing employment growth 2013 was due to the policy by analyzing counties on either side of the Wisconsin border.
- Estimated that for 2013-2016 MAC accounted for total gain of over **20,000 manufacturing jobs** (a 4.6% increase) and over **42,000 total jobs** (a 1.8% increase) in Wisconsin. Even more since then.

# Impact of the Manufacturing and Agriculture Credit



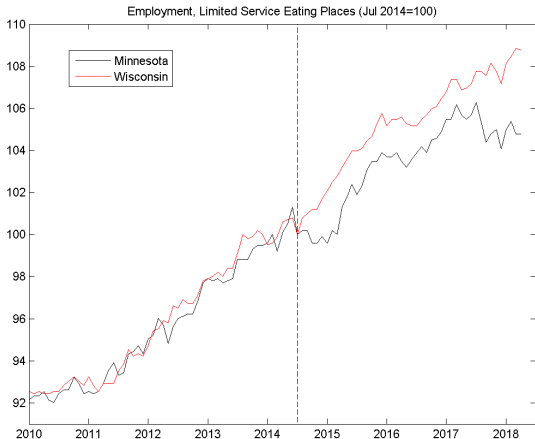
# Effects of Minnesota's Minimum Wage Increases

In 2014, Minnesota began increasing minimum wage, Wisconsin has kept minimum wage constant since 2010.



# Effects of Minnesota's Minimum Wage Increases: Jobs

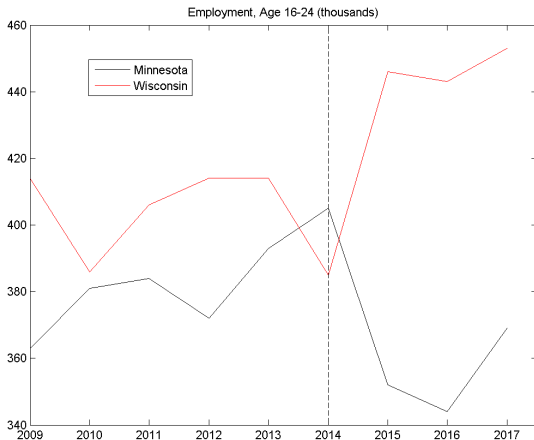
Over 60% of employees in restaurant industry in MN make minimum wage or less. Following min wage hikes fast food employment **fell by 4%** in MN relative to WI.





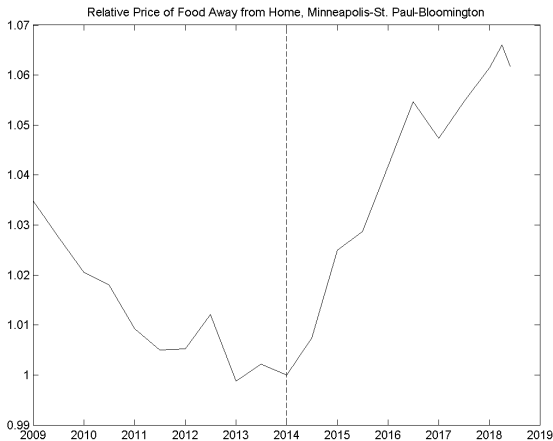
# Effects of Minnesota's Minimum Wage Increases: Youth

Workers below age 24 account for 54% of min wage earners.  
Youth employment **fell by 9%** in MN after the minimum wage increases, **increased by 10.6%** in WI over the same period.



# Effects of Minnesota's Minimum Wage Increases: Prices

Increased wage costs employers faced have been passed on to consumers through higher prices. Relative price of restaurant food in the Minneapolis **fell by 2%** in 4 years before the min wage hikes, **rose by 6%** in 4 years after



- Wisconsin economy is strong and we project continued strength, but faces challenges.
- Economic policy has had some positive impacts on the state economy
- Future work at CROWE will tackle some of these issues.
- Follow us at <https://crowe.wisc.edu>
- Students: contact me if you are interested in helping out



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