

COWS

Equity
Sustainability
Democracy



**THE STATE OF
WORKING WISCONSIN
2019**

Facts & Figures

Laura Dresser and Joel Rogers

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About COWS

COWS is a nonprofit think-and-do tank, based at the University of Wisconsin-Madison, 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. Through our various projects, we work with cities around the country to promote innovation and the implementation of high road policy. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

Authors

Laura Dresser and Joel Rogers

Acknowledgments

The State of Working Wisconsin: Facts & Figures 2019 relies on a range of data sources. Specific sources are identified below the figure or table in question. We are grateful to the Economic Policy Institute (EPI) in Washington DC which is our source for data on wages and union status here. They use the Census Bureau’s Current Population Survey (CPS).

Introduction

Each year on Labor Day, COWS draws a picture of how working people in Wisconsin are faring. The long report, The State of Working Wisconsin, is released biannually on even-numbered years and looks at the economy comprehensively from a working-family perspective. In odd-numbered years, like 2019, we provide a more abbreviated and focused report, called The State of Working Wisconsin: Facts & Figures.

This year, on some of the most well-known economic indicators, there is good news for Wisconsin workers. The unemployment rate in the state has been consistently low. The economy is steadily adding jobs. These are important measures for working people's lives. When jobs are more available not only is it easier to secure a job, it is also easier to get the hours of work you want, to be able to ask for time-off you need, and to make ends meet. This Labor Day, with the memory of the Great Recession of 2007 now fading from memory, workers across Wisconsin have this good news to celebrate.

Even so, many working families in the state feel stressed and stretched. In this report, then, we provide information on few key long-term trends that are contributing to the stress even in the context of low unemployment. Looking across the last forty years, the challenges working people face are clear. Wage growth has been anemic. Income inequality is reaching new highs. Unions, which have been so critical to supporting workers in this state, are in serious decline. Additionally, state policy, which could be helping to close gaps, is actually exacerbating these trends. From tax changes that reward our highest income families to rejection of health insurance to cover our families in need, policy continues to pave the low-road for our state.

Here we provide our overview of some of the most critical issues facing working people in the state. This year, we focus on facts and figures relating to:

- wages, which have been fairly stagnant over nearly 40 years;
- income inequality, which has been on the rise in the state and nation;
- unions, which have been on the decline, especially in Wisconsin; and
- the financial and human cost of Wisconsin's continued rejection of Medicaid expansion.

Race in the Heartland

COWS and partners from around the region will release a report on black/white inequality throughout the Midwest. With comprehensive data on racial inequality, the report will motivate and provide policy options to secure greater equity in the region. Look for it this fall.

Wages

As shown in Figure 1, median wages have been stagnant for Wisconsin and the US from 1979 to 2018. (All wages are adjusted for inflation over the period and expressed in 2018 dollars.) Note that this data includes all workers, including hourly as well as salaried workers (an hourly wage is calculated for salaried workers by dividing annual earnings by hours worked).

In 1979, the median wage of workers in Wisconsin was well above the national median wage. The 1980s were an especially difficult decade for Wisconsin's workers, who saw a considerable real wage decline, leaving the median wage in the state nearly a dollar per hour below the national median wage. By the mid-1990s Wisconsin had closed this gap, and the median wage continued to rise with the national median wage until 2005 and then flattened again.

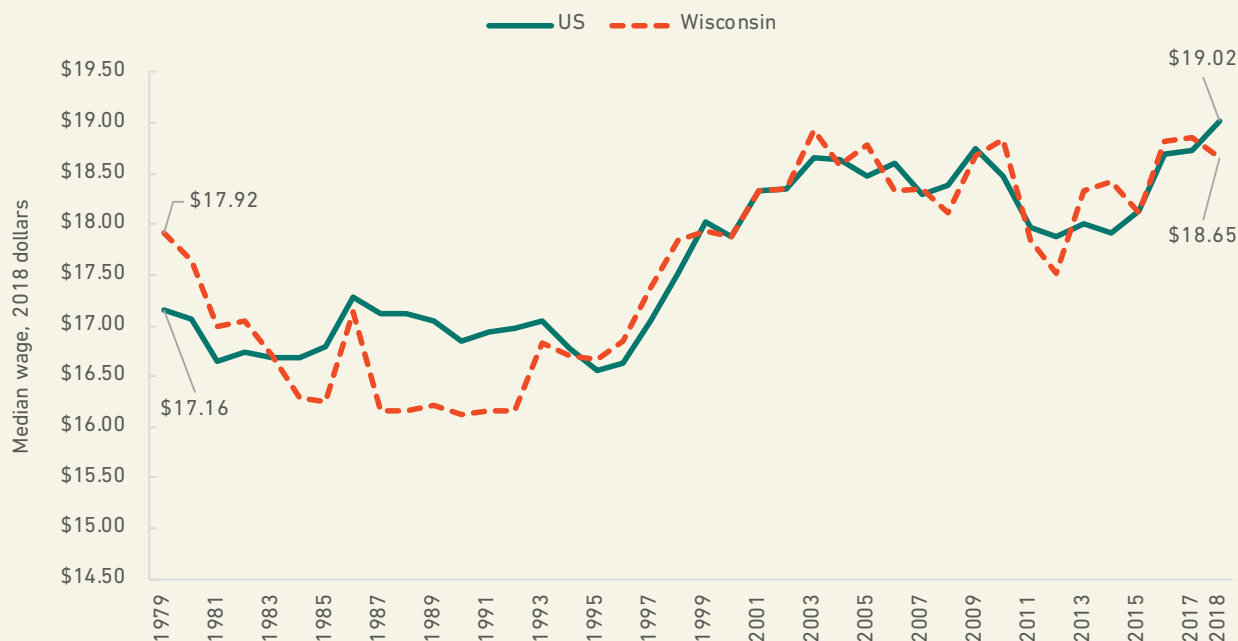
Following the Great Recession, the median wage in Wisconsin slipped to a low point of \$17.52 in 2012, and since then made it to \$18.84 in 2017. In 2018

Wisconsin's median wage declined slightly to \$18.65 per hour, bringing it once more below the national median wage of \$19.02 per hour.

Adjusting for inflation, the current median wage of Wisconsin's workers is only 73¢ per hour higher than in 1979, an increase roughly in line with national data. The picture is a discouraging one. In 1979, the median worker had less education and was working with substantially less productive technology.

Nationally, since 1979, productivity has grown by 70 percent, which is six times faster than the growth of compensation.¹ If workers' wages had kept pace with productivity in the last forty years (as wages did in the decades after WWII), the median worker's wage would be well over \$25 per hour today. Instead, the pay-off at the median falls short of a dollar. Americans are working more productively than ever but the fruits of their labors have primarily accrued to those at the top and to corporate profits, especially in recent years.

Figure 1
Median Hourly Wage in 2018 Dollars, US & Wisconsin, 1979 - 2018



Source: EPI analysis of CPS data

Income Inequality

Rising income inequality is one of the defining features of the US economy. This inequality is understood increasingly as a problem, so much so that the CEOs of the Business Roundtable just released a statement on the need to build “an economy that serves all Americans.”²

Wisconsin has actually less income inequality than other states. However, we are not immune to increasing inequality. Indeed, levels of inequality in the Badger State have reached record levels.

One way to measure income inequality in the state is to compare the income of the top one percent to the average income of the remaining 99 percent. These data are shown in Table 1 which shows that the richest one percent of the state’s residents have an average income nearly 19 times the average income for the rest of the state. That is high, but lower than national or regional averages. Note that these differences are driven by the income at the top, which in Wisconsin is simply not as high as the nation’s. The

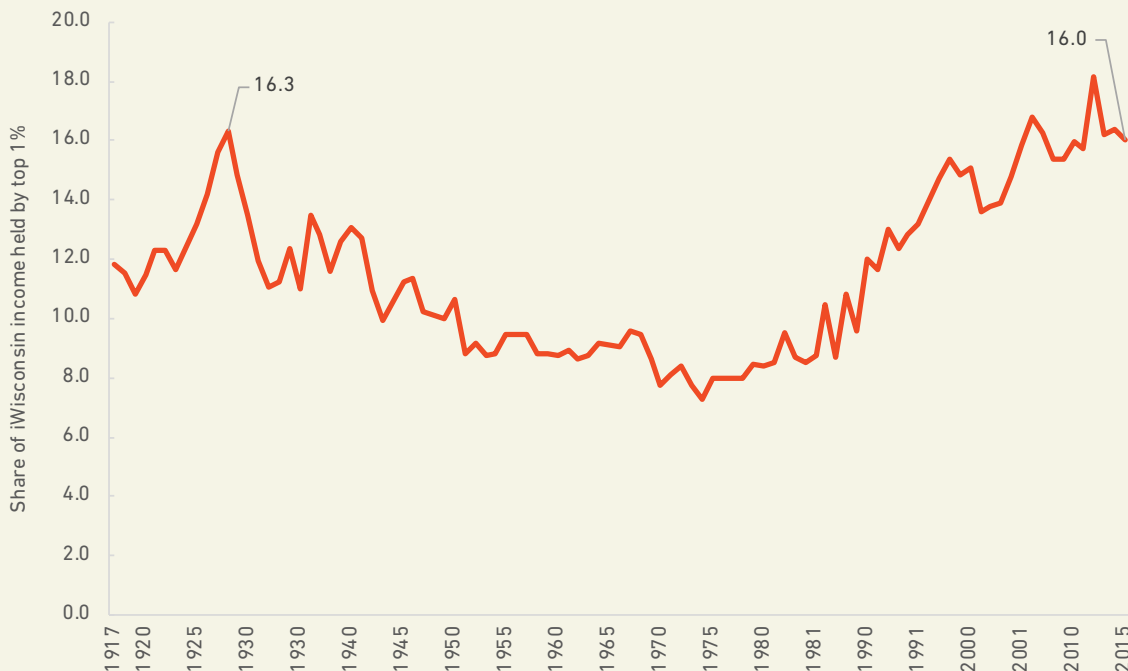
average income for the bulk of our population is in-line with national averages.

Wisconsin’s income inequality is as high as it has been in the last 100 years. This is clear in Figure 2, which shows the share of total income in the state captured by the richest one percent since 1917. Inequality declined from 1928 to 1980 or so, but has been on the rise since. Levels in recent years match and exceed the high inequality benchmark established in 1928.

Table 1
Ratio of Top 1% of Income to Remaining 99% of Income, in 2015

Wisconsin	\$964,358	\$50,953	18.9
Midwest	\$1,038,485	\$49,287	21.1
US	\$1,316,985	\$50,107	26.3

Figure 2
Share of income in Wisconsin held by top 1%, 1917-2015



Source: Estelle Sommeiller & Mark Price (2018). Economic Policy Institute. [The new gilded age: Income inequality in the U.S. by state, metropolitan area, and county.](#)

Incomes are more unequal in Wisconsin after state and local taxes are collected.

Wisconsin tax policy increases inequality

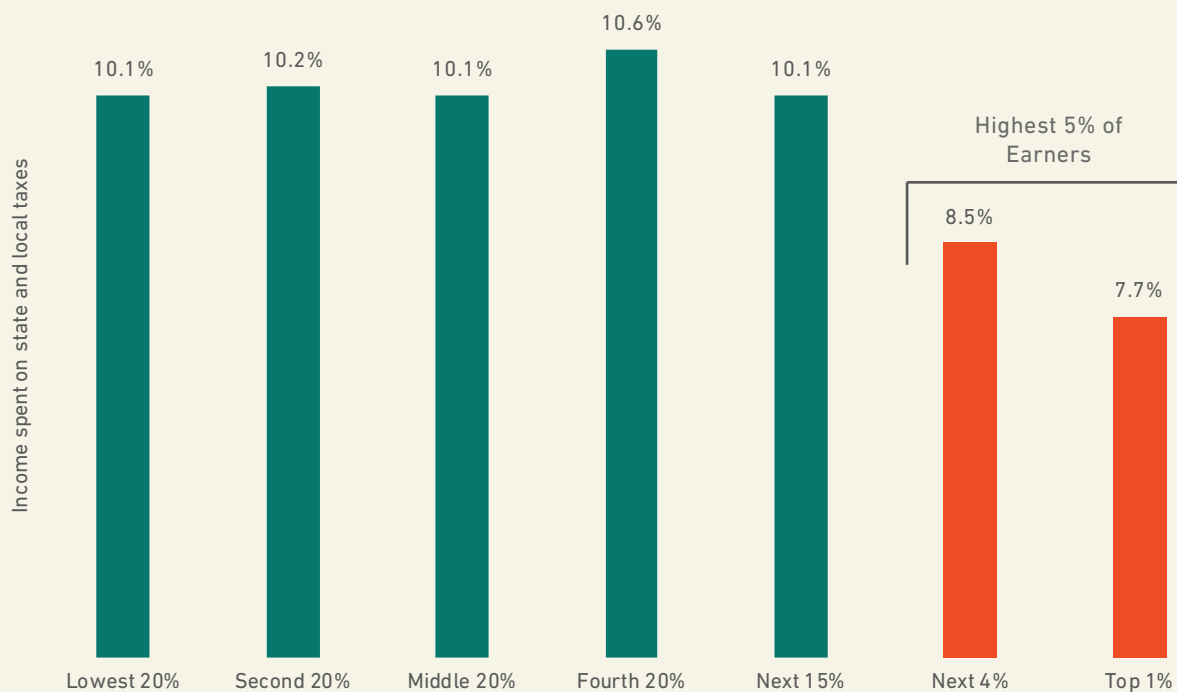
Over the last 30 years, the richest Wisconsinites have been rewarded with an increasing share of the state’s income. Unfortunately, Wisconsin tax policy actually contributes to inequality in the state. Taxes can be structured to reduce inequality, by ensuring that those who can afford it most are paying their fair share of taxes. This sort of tax fairness helps raise public revenues to allow for investment in the public infrastructure the state needs. Unfortunately, Wisconsin’s richest residents actually pay a lower share of their income in taxes. A report by the Institute on Taxation and Economic Policy shows

that the top 1% in Wisconsin pays on average 7.7% of its income in state and local taxes, while the middle 60% pay on average 10.4% of their income (see Figure 3 below). As a result, in Wisconsin, income is more unequally distributed after state and local taxes are collected than before.

A [Wisconsin Budget Project](#) analysis found that the tax cuts approved by the Wisconsin legislature in 2017 continue the same trend. The analysis shows that the top 1% enjoyed an average tax cut of \$10,015 in 2017, compared with \$175 for the lowest 20%. This means that the top 1% saved more on taxes each week than the lowest income group saved over the entire year.

Figure 3

Percentage of Total Wisconsin State and Local Taxes as a Share of Family Income for Non-Elderly Taxpayers



Source: ITEP (2018). [Who Pays? A distributional analysis of the tax systems in all 50 states.](#)

Unions

In the mid-nineteenth century, bricklayers in Milwaukee formed the first trade union in Wisconsin. Ever since, unions and organized labor have played a critical role in the economy, helping secure better wages and working conditions for workers throughout the state.

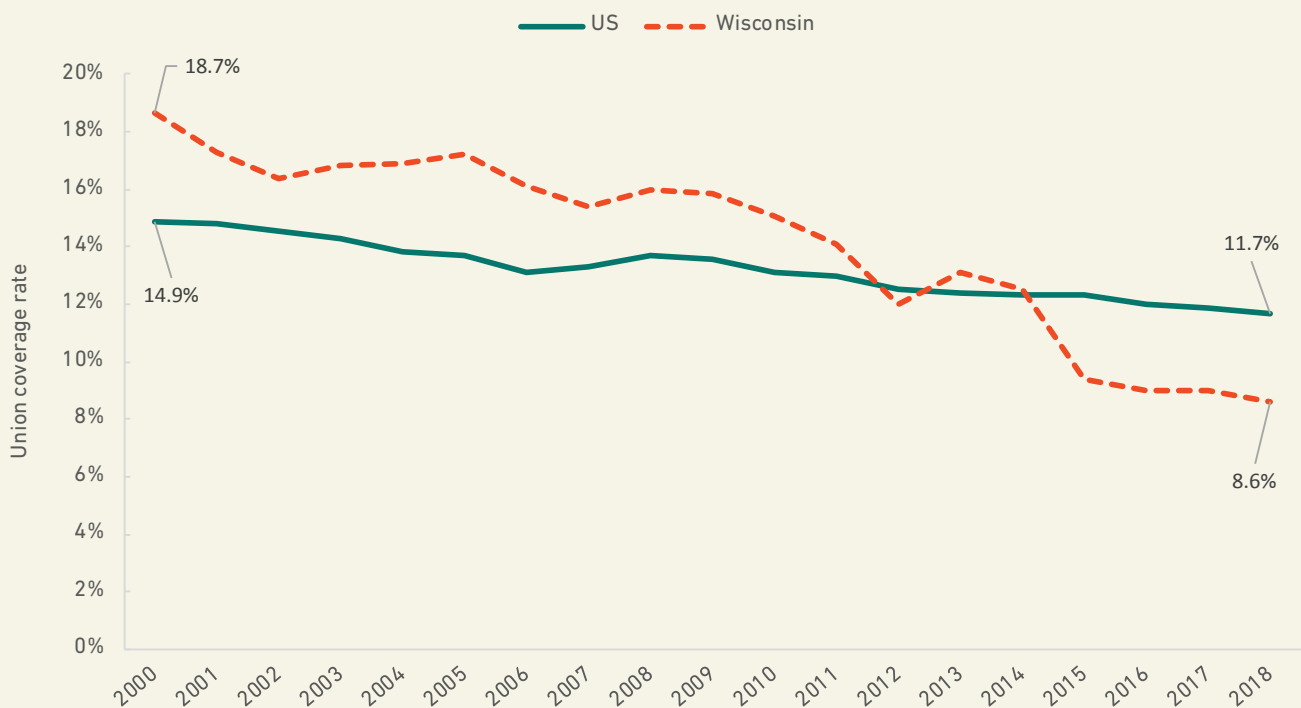
Despite Wisconsin's union tradition, union coverage in the state has fallen beneath the national unionization rate (see Figure 4 below). One important driver of this change is the passage of Act 10 in 2011.

Wisconsin's long-standing public-sector union laws came under attack in February 2011 with the passing of Act 10, which dramatically reduced public-sector union membership. The act denies public-sector unions the right to bargain over any issue other than wages – such as safety, working conditions, and

benefits - while allowing negotiated wage increases to only meet (never exceed) the rate of inflation.

Further, Act 10 prohibits public employers from collecting union dues even when workers give their written consent, which creates additional organizational difficulties. It requires every public-sector bargaining unit to take annual votes to maintain its certification as a union and in that vote, the union must receive yes votes from at least 51% of all members of the unit, regardless of how many members actually voted. Taken together, this policy has minimized the potential positive impact of unions while increasing the burden to operate.

Figure 4
Union Coverage in US & Wisconsin, 2000 - 2018



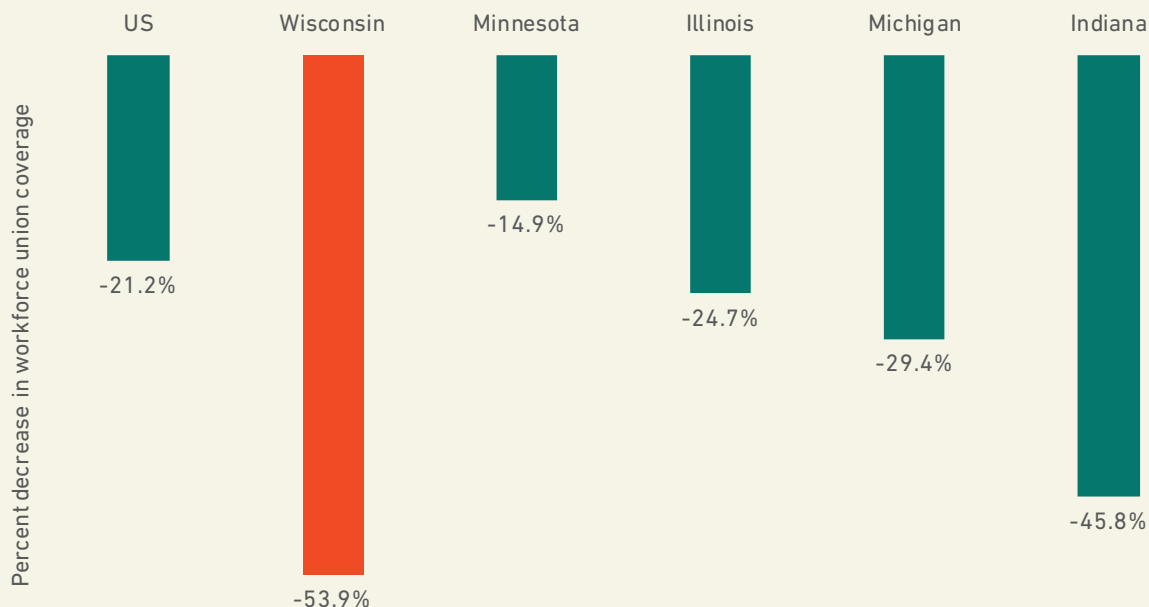
Source: EPI analysis of CPS data

Union coverage in Wisconsin declined by more than 50% from 2011-2018: greater than twice the national decline in unionization. The gutting, dramatic, and direct impact of Act 10 on collective bargaining is clear. Before Act 10, Wisconsin's unionization exceeded the national rate.

Since this policy has been implemented, the state has faced a far more significant decline in union membership than has the rest of the nation. As shown in Figure 5, union coverage in Wisconsin declined by more than 50% from 2011-18. That decline is greater than twice the national decline in unionization (21.2%) and three times the decline in the neighboring Minnesota (14.9%).

The gutting, dramatic, and direct impact of Act 10 on collective bargaining is clear. Before Act 10, Wisconsin's unionization exceeded the national rate. However, in recent years, as shown in Figure 4, the overall unionization rate in Wisconsin is actually below the unionization for the nation and is the lowest among its neighboring states.

Figure 5
Percentage Point Change in Union Coverage, 2011 - 2018

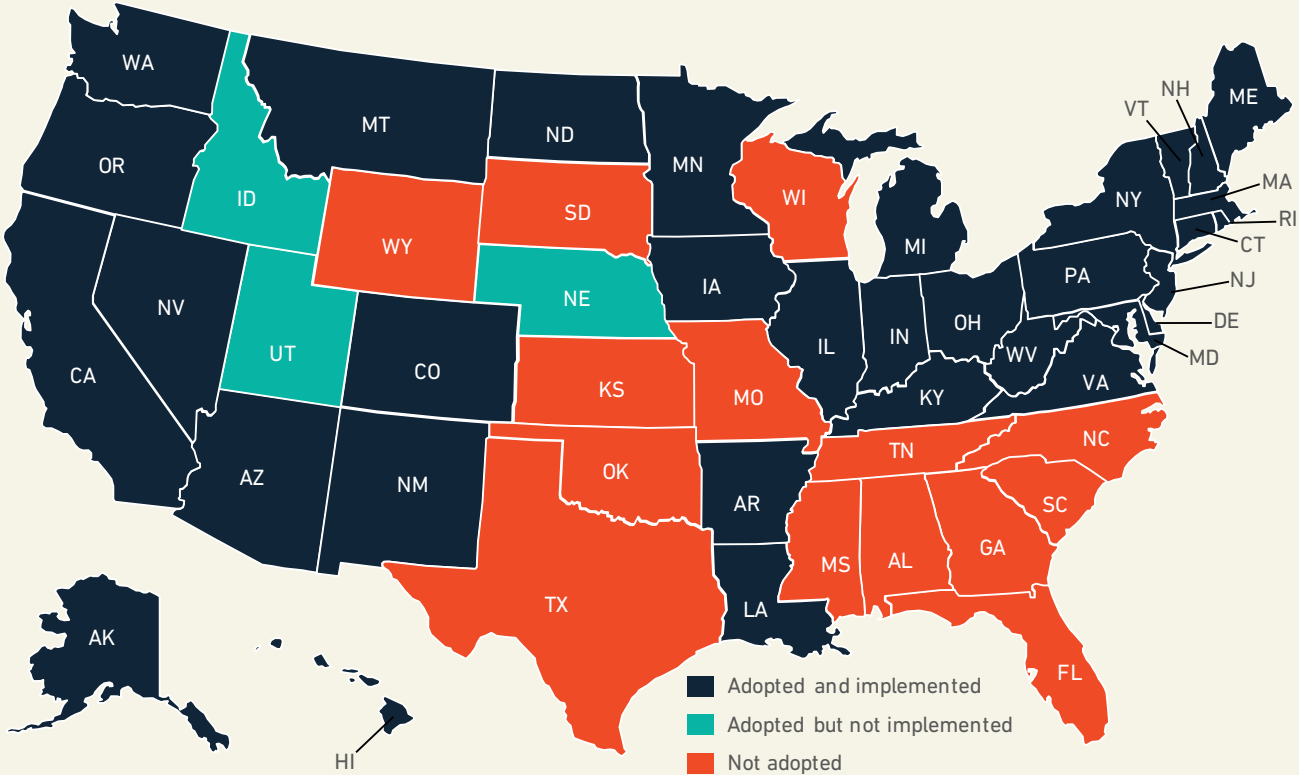


Medicaid Expansion Would Reduce Costs

The federal Medicaid program covers more than 74.5 million people across all 50 states and Washington, DC. As of May 2019, there were 963,686 people enrolled in Medicaid in Wisconsin.³ Alone among neighboring states, Wisconsin has not accepted the federal support to expand Medicaid. This policy choice comes with significant and measurable costs which recent research makes clear.

Cost to the Wisconsin state budget: \$1.1 billion. The Affordable Care Act (ACA) provides significant federal support to states that expand Medicaid eligibility to a greater number of uninsured adults and children. As of August 2019, 36 states and Washington, DC have adopted the Medicaid expansion. Wisconsin is among the 14 states that have not. The state's Legislative Fiscal Bureau estimated that by opting out of the expansion option, Wisconsin turned away around \$1.1 billion of federal money.⁴

Figure 6
ACA Medicaid Expansion Status by State



Source: [Kaiser Family Foundation](#)

Cost to the private insurance market: at least 7% more for individual health insurance. A recent report by an independent actuarial firm for the Wisconsin Office of the Commissioner of Insurance⁵ found that Medicaid expansion would reduce premiums in the state's individual health insurance market. To be clear, Medicaid expansion helps to reduce costs paid by businesses and individuals when they buy health insurance. The OCI report noted that national studies show that prices in the individual health insurance market fall by 7%-11% as the result of expansion.

Cost in human lives: 144 excess deaths. A new study from the National Bureau of Economic Research (NBER) sheds light on the cost of not expanding Medicaid in human lives.⁶ The study examines the death rates of the near-elderly population (ages 55-64) and finds a substantial decrease in states that have expanded Medicaid compared with those that did not. The researchers estimate that Wisconsin had 144 excess deaths per year as a result of failing to expand Medicaid. In neighboring states, Medicaid expansion keeps people alive. Some residents of states like Wisconsin that turn down Medicaid expansion are paying with their lives.

The Wisconsin Legislature has repeatedly opposed Medicaid expansion and expansion remains politically unlikely. Even so, it is important to continue to consider the research on the very real costs paid in the state of Wisconsin by refusing to expand Medicaid.

Endnotes

- 1 Economic Policy Institute. The Productivity-Pay Gap (July 2019). Retrieved August 28, 2019 from <https://www.epi.org/productivity-pay-gap/>.
- 2 Business Roundtable (August 19, 2019). Retrieved August 23, 2019 from <https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans>.
- 3 State Medicaid and CHIP Applications, Eligibility Determinations, and Enrollment Data. Retrieved August 11, 2019 from <https://data.medicaid.gov/Enrollment/State-Medicaid-and-CHIP-Applications-Eligibility-D/n5ce-jxme>.
- 4 Guy Boulton (October 23, 2018), Milwaukee Journal Sentinel. Retrieved August 11, 2019 from <https://www.jsonline.com/story/money/business/health-care/2018/10/23/cost-wisconsins-stance-affordable-care-act-1-1-billion/1735106002/>.
- 5 Julie Peper and Michael Cohen (2019). State of Wisconsin: Individual Market 2020 Medicaid Expansion Estimates. Retrieved August 11, 2019 from <https://oci.wi.gov/Documents/Regulation/2020MedicaidExpansionEstimates.pdf>.
- 6 Sarah Miller, Sean Altekruze, Norman Johnson, and Laura R. Wherry (2019). Medicaid and Mortality: New Evidence from Linked Survey and Administrative Data. Retrieved August 11, 2019 from <https://www.nber.org/papers/w26081>.

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University of Wisconsin – Madison

608.263.3889 | info@cows.org

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