



UNDER ATTACK: WISCONSIN'S MIDDLE CLASS AND THE JOBS CRISIS

THE AMERICAN DREAM used to mean that if you put in a hard day's work, you could expect good wages, benefits, and a better life for your kids. Today, the kinds of jobs that can provide a solid middle-class life in return for hard work are in short supply—unemployment is up, earnings are flat, and hard-won benefits are being lost. The future of Wisconsin's middle class, the backbone of Wisconsin's economy for more than half a century, is at risk.

Wisconsin's strong and vibrant middle class didn't just happen. It was built brick by brick by the hard work of our parents and grandparents and the strength in numbers that came from the unions that represented them. From the first unemployment compensation law in the U.S. in 1932 to the first public employee collective bargaining act in the nation (1959), Wisconsin's unions made sure that as our nation's wealth and productivity grew, so too did the economic prosperity, security, and resiliency of the people who worked hard to create that wealth. For decades, the unions of Wisconsin's workers guaranteed that prosperity was widely shared and that communities flourished—wages increased and more employers provided their workers with health insurance, pensions, and paid time off.

THE STATE OF WISCONSIN'S MIDDLE CLASS

- Falling earnings
- Declining access to benefits
- More good jobs being lost than created
- Workers' rights and unions under threat
- Higher costs to raise a family
- College degree increasingly out of reach
- Diminished economic prospects for young people

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FUTURE
MIDDLE
CLASS

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series and is co-published with
CENTER ON WISCONSIN STRATEGY.*

Working alongside unions, the middle class grew more robust as public servants enacted government policies that supported homeownership and made a college education accessible to a new generation through affordable tuition and financial aid. Public servants also protected labor organizers, invested in public health, nearly eradicated the class of destitute elderly, and promoted infrastructure and local businesses.

But all of this is changing. Wisconsin has been caught in a long downward spiral that mirrors unfortunate national trends. Before the Great Recession even began, “construction and manufacturing were already on the decline, the job market was shrinking, and family incomes were falling” in Wisconsin.¹ And not only did the state then lose more than 250,000 jobs because of the Great Recession, but the economic effects of those lost jobs reverberated to all corners of the state, particularly the already-strained finances of the state government. We estimate that the jobs lost due to the recession have cost Madison over \$300 million annually in direct lost sales and income tax revenues, on top of other revenue losses from the recession, putting thousands more middle-class jobs at risk. If the state’s unemployment rate were at pre-recession levels, those lost hundreds of millions would return to the state government’s coffers, and could be used to help thousands of young people attend college, maintain dozens of state parks, or hire, for example, as many as 4,000 teachers or 3,300 nurses.

Wisconsin workers only earn about \$70 more per week than they did 30 years ago—despite having increased their productivity and educational qualifications to record levels. There’s also been a rapid decline in the number of employers who provide their workers with health insurance. Rising out-of-pocket costs and skimpy plans mean that a family illness can lead to substantial costs, medical debt, and bankruptcy. And as employers replace traditional pensions with 401(k)-type plans, middle-class workers can no longer count on a secure retirement. Most devastating, Wisconsin unemployment nearly doubled during the recession and of those who still had a job, 23 percent earned poverty wages (\$10.46 per hour) or less in 2009.

Recent events gutting the longstanding ability of Wisconsin’s public sector employees to collectively bargain shows a fundamental misunderstanding of the economic importance of both public and private sector unionized workers as they have historically produced the most robust local economies, the healthiest families, and the most vibrant citizenries. Actions like these degrade labor standards for all and weaken the position of workers trying to earn a living under reasonable conditions and those advocating on their behalf.

This is, nevertheless, a time of hope as workers, unions, families, and citizens offer unrelenting resistance to the destruction of workers’ rights and all that is public. Wisconsinites continue to demand that public servants recognize working class Americans as the heart of the economy. They have come together to protect their right to collectively bargain, occupied the capitol building, protested in the tens of thousands, and

organized to recall some of the Republican senators who voted to eviscerate workers' rights. Unions have over 150 years of political wisdom in Wisconsin politics and they know Gov. Walker is shortsighted at best and destroying the middle class at worst—they know that employment ends deficits; that tax cuts destroy hard-won social safety nets; that big corporations have abandoned local and state economies; and that the rich must pay their fair share if communities are to thrive.

Another bright spot is Wisconsinites' particularly strong work ethic. Even under the current challenging conditions, they are significantly more likely to be in the labor force than adults in other states. Over 70 percent of adults in the state are working or looking for a job, higher than the national figure of 65 percent.² Although unionization is down, Wisconsin still has more than 400,000 union members, making the state the 14th most unionized workforce in the nation. The state has the highest share of its workforce employed in manufacturing, which traditionally provides stable, middle-class employment. Wisconsin's workforce is also well educated with access to a wide range of vocational-based degrees available from public institutions. Wisconsin's technical college system produces substantially more occupational associate degrees than other states, and produces stronger wages for the holders of those degrees.

With a strong vocational training system already in place in the state, a strong manufacturing sector, a solid union base, and the ongoing fostering of connections between stakeholders and employers who value and respect the rights of their workers, Wisconsin has all of the ingredients to be a model for how to protect and rejuvenate the American dream: a strong middle class built on good union jobs for a hard day's work.

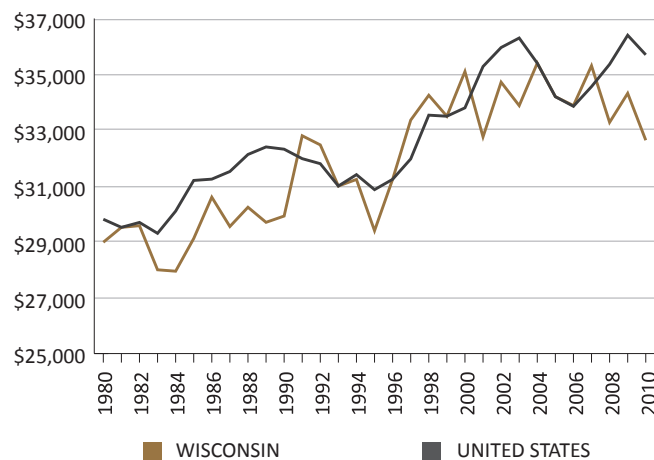
EARNINGS³

Widespread decent earnings are paramount to the existence of the middle class. As compensation has been entirely decoupled from dramatic gains in worker productivity since the 1970s, today's Wisconsin workers earn just \$70 more per week (after adjusting for inflation) than their 1980 counterparts. Over the last 30 years, median annual earnings for Wisconsin workers (aged 18-64) have fluctuated (and suffered) with changes in the economy and the clout of workers—one-fourth of manufacturing jobs in 2000 had disappeared by 2010. Wisconsin median earnings peaked at \$35,300 in 2004, dipped again until taking a slight uptick in 2007, and then decreased further to \$32,640 in 2010. Wisconsin workers' median earnings today are below national levels (see Figure 1) and have in fact fallen back to 1991-1992 levels.

EDUCATION

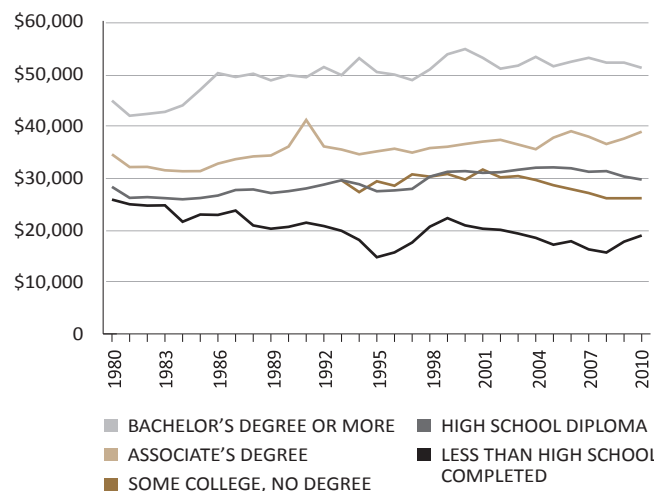
In Wisconsin as elsewhere, a college degree is one of the surest paths to a middle-class income. Wisconsin workers with at least a bachelor's degree earn 72 percent more than those with only a high school diploma (\$51,000 versus \$29,580 in 2010). Workers of all education levels saw steady but slow increases in earnings throughout the 1980s and 1990s, but have declined since, as all workers except those with associate's degrees have experienced a steady decline in earnings over the last 10 years (see Figure 2). Overall, workers with college degrees have seen their wages rise the most since 1980: wages of workers with bachelor's degrees and associate's degrees have increased by 14 and 13 percent, respectively, or 0.5 percent a year. Wages of workers of all education levels, however, have not kept pace with the nation's growth: GDP grew 127 percent over those same three decades. As in the rest of the country, the lack of a degree has borne an increasingly high price, as workers who failed to complete high school have seen their wages drop by 27 percent over the past generation.

FIGURE 1. MEDIAN ANNUAL EARNINGS OF WORKERS IN WISCONSIN AND THE U.S., 1980-2010 (2011 DOLLARS)



SOURCE: Dēmos analysis of Current Population Survey data

FIGURE 2. MEDIAN ANNUAL EARNINGS OF WISCONSIN WORKERS BY EDUCATION, 1980-2010 (2011 DOLLARS)



SOURCE: Dēmos analysis of Current Population Survey data using 3-year averages

GENDER

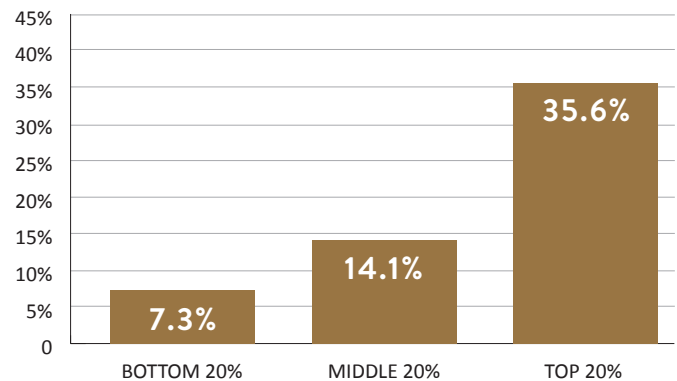
Men still typically earn more than women in Wisconsin. However the gender gap has narrowed considerably over the last 30 years. Median earnings for men were about \$12,000 higher than those for women in 2010 (\$40,800 versus \$29,172). Examining the trends in earnings by gender over the past generation makes clear that the rise in overall median earnings since 1980 and even since 2001 is actually attributable to growth in women's earnings. In 2010 male workers in Wisconsin earned about \$5,000 less than they did in 2000 and about \$2,500 less than they did in 1980. In contrast, female workers in Wisconsin earned about \$3,000 more in 2010 than they did in 2000, and about \$10,000 more than they did in 1980.

[Note: sample sizes in Wisconsin are too small to report on earnings by race.]

RISING INCOME INEQUALITY

In Wisconsin, the gap between the rich and poor is relatively narrower than the rest of the nation; only 10 states have a more equal distribution of income. On the eve of the Great Recession, the richest 20 percent of Wisconsin families had average incomes 2.3 times as large as the middle 20 percent of families and 6 times as large as the poorest 20 percent of families. The very richest families—top 5 percent—had average incomes that were 10 times as large as the poorest 20 percent.⁴ But despite Wisconsin's relatively low inequality, the gap between the rich and everybody else has grown over time, and faster than many other states, with income inequality growing at the 26th-fastest rate. Between 1986 and 2006, the incomes of the richest families (top 20 percent) rose five times as fast as the poorest fifth and over twice as fast as the middle 20 percent (see Figure 3).

FIGURE 3. REAL INCOME GROWTH OF WISCONSIN FAMILIES, 1986-2006



SOURCE: Source: Center on Budget and Policy Priorities and Economic Policy Institute, "Pulling Apart: A State By State Analysis of Income Trends, 2004-2006"

JOBS AND BENEFITS

Widespread access to well-paying jobs with good health and retirement benefits is a second cornerstone of the middle class. Unions have consistently advocated for public policy that promotes a stronger economy for all, bargaining for better wages and benefits that helped set the bar for all workers in the state. As union strength has weakened, workers' benefits have been replaced by a shifting of previously-shared costs, burdens, and risks onto workers' shoulders alone.

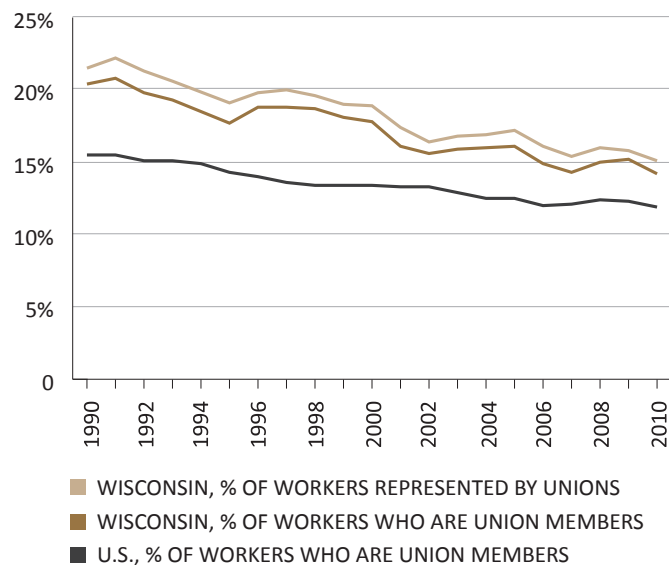
UNION MEMBERSHIP

Historically Wisconsin has had higher unionization rates than the rest of the nation. Nonetheless, only a fraction of Wisconsin workers are currently union members—15 percent of all private and public sector workers in 2010. This percentage has declined over the last few decades, as has the percentage of jobs represented by unions (see Figure 4).

HEALTH INSURANCE

High out-of-pocket medical expenses are one of the primary causes of bankruptcy among the middle class, underscoring the importance of health insurance coverage.⁵ Wisconsin workers have had relatively high rates of access to employer-sponsored health insurance, contributing to high levels of coverage: in 2010, 9 percent of working-age individuals in Wisconsin lacked health insurance compared to nearly 17 percent nationally. The relatively high percentage of working-age individuals with access to health insurance is partially due to coverage through a spouse or through public insurance (Medicaid and Medicare), and belies a larger pending crisis regarding employee benefits and good jobs. Employer-sponsored health coverage in Wisconsin has declined substantially over the last decade. The proportion of Wisconsin workers who lack access to health insurance through an employer increased from 15 percent in 2000 to nearly 21 percent in 2010.

FIGURE 4. UNION MEMBERS AS A PERCENT OF WISCONSIN WORKERS, 1990-2010



SOURCE: Bureau of Labor Statistics, U.S. Department of Labor.
Includes both public- and private-sector workers.

RETIREMENT BENEFITS

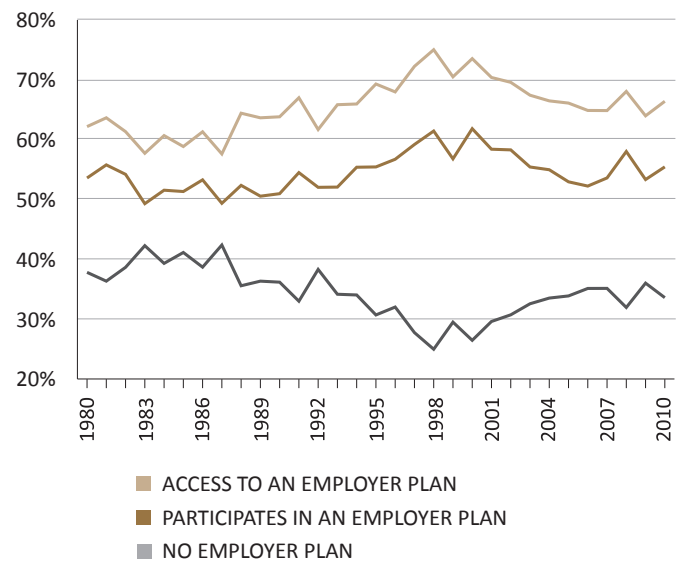
Several factors threaten the ability of Wisconsin workers to look forward to a secure retirement. About 67 percent of the state's workers currently have access to a retirement plan at work, a figure that has declined since the late-1990s. Although access to employer-sponsored retirement plans peaked in 1998 at 75 percent, such plans have gradually shifted from traditional pensions—whose costs and financial risks are borne almost exclusively by employers—to 401(k)-type plans that rely on worker contributions and expose individuals to the vagaries of the stock market and high fees, which eat away at returns. Nationally, roughly 70 percent of employer-sponsored retirement plans are now 401(k)s or similar individual retirement plans. In Wisconsin, nearly 11 percent of workers don't participate in their employer-sponsored plan either because they can't afford to contribute or fail to opt in (see Figure 5).

UNEMPLOYMENT

Even before the Great Recession, Wisconsin's economic outlook was troubled: construction and manufacturing were already on the decline, the job market was shrinking, and family incomes were falling.

Between September 2009 and March 2010, the financial crisis sent markets into a tailspin and the Wisconsin economy lost an average of 16,000 jobs per month. The Wisconsin economy added 9,100 jobs in March 2011. This marked the first time there have been three consecutive months of significant job gains in the 40 months since the beginning of the Great Recession. However, unemployment remains stubbornly high at 7.4 percent and the jobs deficit remains deep: as of March 2011, Wisconsin had a net 126,900 fewer jobs than in December 2007, before the recession started, according to the latest data from the Bureau of Labor Statistics.

FIGURE 5. WISCONSIN WORKERS' ACCESS TO AND PARTICIPATION IN EMPLOYER-SPONSORED RETIREMENT PLANS, 1980-2010

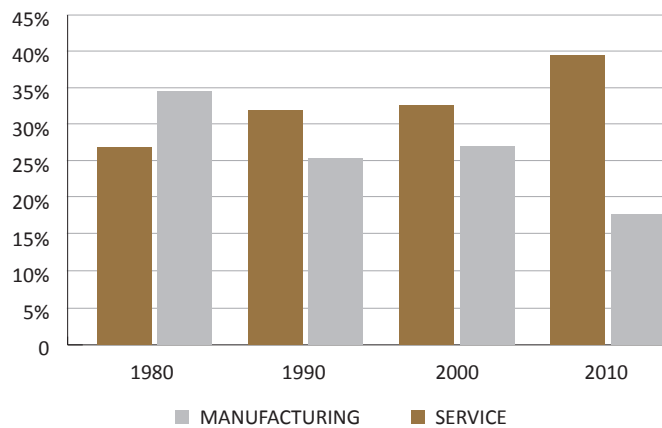


SOURCE: Dēmos analysis of Current Population Survey data

WHERE THE JOBS ARE

Manufacturing has long been a core sector for Wisconsin, one that has provided generations of families a consistent route to middle class jobs with benefits and economic stability. Manufacturing accounts for one-fifth of Wisconsin's economy and employs 18 percent of its workforce (see Figure 6). The recent recession has undermined Wisconsin manufacturing, draining away nearly 15 percent of the remaining manufacturing jobs. After a serious decline at the beginning of the new century, manufacturing in Wisconsin had stagnated, holding steady at 500,000 jobs from 2004 until 2008. With the turn in the economy, manufacturing plummeted again, devastating families and communities, and leaving a growing force of unemployed workers in its wake. In 2010, and in a welcome reprieve, the sector began adding jobs, albeit at a rate insufficient to make up much of the decade's losses. While manufacturing has fluctuated, the number of service jobs has increased dramatically. Nearly 40 percent of Wisconsin workers were employed in service jobs in 2010. Many of these jobs are lower-paying and do not provide benefits, effectively acting as a barrier to middle class stability for those employed in them.

FIGURE 6. MANUFACTURING AND SERVICE INDUSTRIES AS A PERCENTAGE OF TOTAL EMPLOYMENT IN WISCONSIN, 1980-2010



SOURCE: *Dēmos analysis of Current Population Survey data*

RAISING A FAMILY

Healthy, happy, and rooted families are currently one of our economy's most undervalued resources and a key element of the middle class. Wisconsinites pride themselves on being able to pass on a better life to their children, but over the last generation, this dream has become increasingly out of reach. As corporations have exported stable jobs from the state, they have also quietly exported the building blocks of successful families and neighborhoods. Even with two parents in the labor force, Wisconsin families struggle to meet the high costs of housing and child care, let alone save for a rainy day or invest in the future.

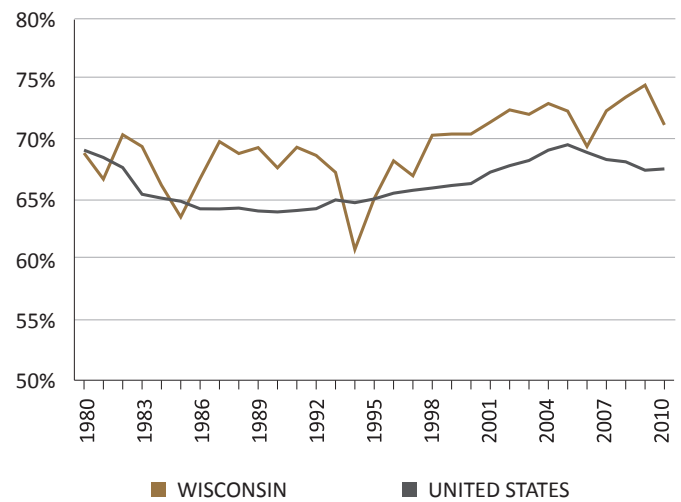
HOMEOWNERSHIP

With some fluctuations, homeownership among Wisconsin workers has hovered around 70 percent since the 1980s (see Figure 7). Their homeownership rate was 69 percent in 1980 and 71 percent in 2010. However, Wisconsinites are devoting a larger share of income to housing costs: in 2008, over a third (34.1 percent) of Wisconsin homeowners spent more than 30 percent of their incomes on housing.

CHILD CARE

Child care can be one of the largest expenses families face, in some cases equaling or exceeding housing costs. On average, full-time in-home childcare in Wisconsin costs \$8,534 a year for an infant and \$7,661 for a four-year-old; center-based care costs even more (see Figure 8). Center-based care for two preschoolers averages \$19,559 a year or 28 percent of family income for a two-earner couple earning median wages.

FIGURE 7. HOMEOWNERSHIP AMONG WISCONSIN WORKERS, 1980-2010



SOURCE: Dēmos analysis of Current Population Survey data

FIGURE 8. AVERAGE ANNUAL PRICE OF FULL-TIME CHILD CARE IN WISCONSIN

	CHILD CARE CENTER	FAMILY CHILD CARE HOME
Infant, full-time	\$10,520	\$8,534
4 year old, full-time	\$9,039	\$7,661

SOURCE: National Association of Child Care Resource and Referral Agencies, "2011 Child Care in the State of: Wisconsin."

THE FUTURE MIDDLE CLASS: A LOOK AT YOUNG PEOPLE

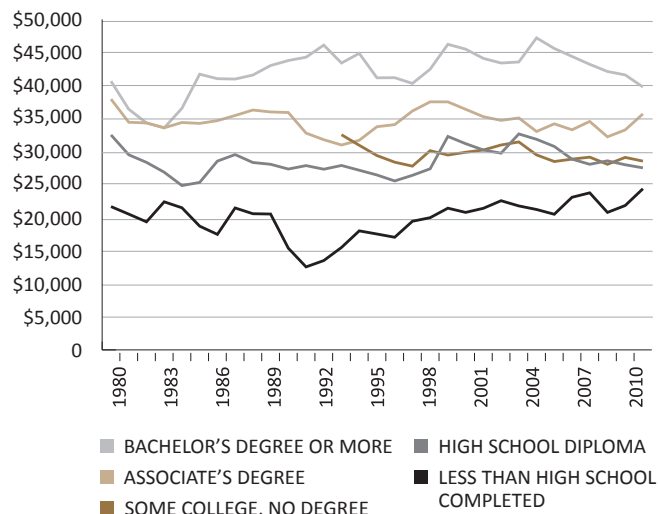
Ensuring the young make a seamless transition to adulthood is another core element of the middle class and utterly necessary to its reproduction and continuation. Through no fault of their own, young Wisconsin adults find this transition increasingly difficult due to low-wage nonunion jobs in a growing service sector, a lack of full-time work, poverty-wages, and no job ladders. In addition, college tuition costs have soared and students are accumulating greater amounts of debt.

LABOR MARKET

In 2010, median earnings for workers aged 25 to 34 with at least a bachelor's degree were \$39,780 in Wisconsin—44 percent higher than the earnings of a typical high school graduate in the same age range (\$27,540). After peaking in 2004, median earnings for college grads have declined dramatically. A typical college graduate in 2010 earns almost \$900 less than someone with a bachelor's degree did in 1980 (\$39,780 in 2010 vs. \$40,650 in 1980). Other education levels have seen substantial declines as well: workers with some college but no degree have seen their earnings decrease by about 25 percent since the early 90s, and those with a high school diploma have seen their earnings decrease by about 19 percent in the past generation (see Figure 9). Though slightly declining wages have eroded young workers' buying power, the more alarming trend is how they're falling further behind the population as a whole. For example, young workers with a bachelor's degree in 1980 used to earn 91 percent of the median wages of all workers with a bachelor's degree; in 2010, that ratio has dropped to 78 percent. Young workers of other education levels have fallen further behind their peers as well. This trend bodes ill for the future of Wisconsin's middle class, because it predicts that a new generation of Wisconsin workers will be unable to match the earning power of their parents.

In 2010, the national unemployment rate for workers under age 25 and not enrolled in school was 18.4 percent—nearly double the overall U.S. unemployment rate of 9.6 percent. Unemployment among young high school graduates is substantially higher at 22.5 percent nationally compared to 9.3 percent among young workers with a four-year college degree.⁶ In Wisconsin, 25-34 year olds face a 7.9 percent unemployment rate, lower than the rates of their peers in other states, but still quite high.

FIGURE 9. MEDIAN EARNINGS BY EDUCATION LEVEL OF WISCONSIN WORKERS AGED 25-34, 1980-2010 (2011 DOLLARS)



SOURCE: Dēmos analysis of Current Population Survey data

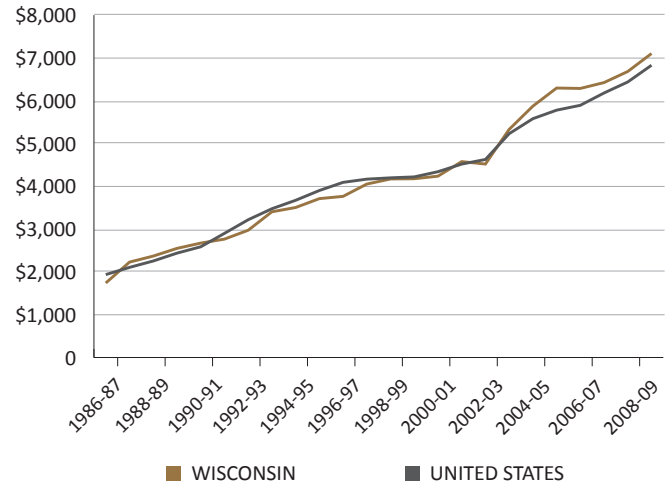
COLLEGE TUITION

At \$7,102 for 2009-10, in-state tuition at Wisconsin's colleges and universities is higher than the national average of \$6,829.⁷ Tuition costs have increased rapidly in Wisconsin, more than tripling over the past 20 years (see Figure 10). Note that these figures do not include room and board.

STUDENT DEBT

Two-thirds (66 percent) of college graduates in Wisconsin entered the labor force with student debt in 2009, and their average debt—\$22,904—was the 18th highest in the nation.⁸ Both the percent of college graduates with debt and the amount of debt have risen rapidly in Wisconsin and elsewhere. And growing numbers of students are accumulating debt without completing a degree, putting them on a shaky path to the future.

FIGURE 10. ANNUAL IN-STATE COLLEGE TUITION IN WISCONSIN AND THE U.S., 1996–2009

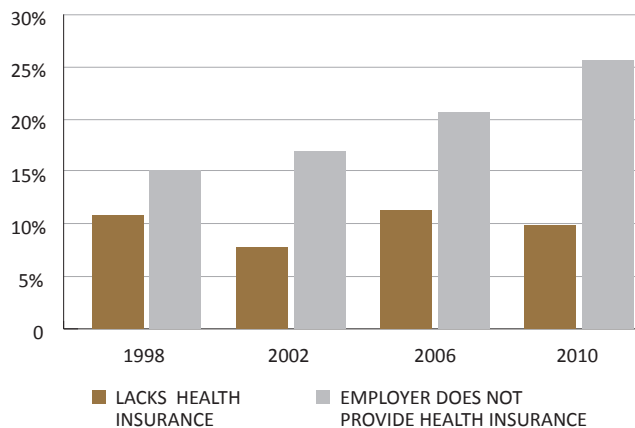


SOURCE: Digest of Education Statistics

HEALTH AND RETIREMENT BENEFITS

Although young workers aged 25-34 are no more likely to lack health insurance coverage than other workers in Wisconsin (9 percent are currently uninsured), a full 26 percent lack access to health insurance through their employer—a figure that has grown substantially in recent years (see Figure 11). This decline in employer-

FIGURE 11. HEALTH INSURANCE ACCESS AMONG WISCONSIN WORKERS AGED 25-34



SOURCE: Dēmos analysis of Current Population Survey data

sponsored health coverage has meant that more and more young people are depending on Medicaid for insurance coverage, contributing to the strain on the program's finances. Only 68 percent of Wisconsin's young workers have access to an employer-sponsored retirement plan and even fewer (51 percent) actually participate.⁹ And most of these plans are 401(k)-type plans rather than traditional pensions.

CONCLUSION

THE AMERICAN DREAM came to life in Wisconsin in the form of a strong and vibrant middle class that sustained the state's economy for decades. But for the first time in generations, more people are falling out of the middle class than joining its ranks. The economy is still productive, but the gains are accruing primarily to the top and workers are no longer getting their fair share. Nationally, the top 1 percent of earners now takes home more than the entire middle class combined, while most workers are living from paycheck to paycheck.

It doesn't have to be this way. Just as the post-war middle class was built, it is possible to rebuild it and strengthen it for the next generation. Workers, unions, families, and citizens plan to do just that. With one of the strongest union histories in the nation, Wisconsin workers' current fight to rebuild and restore the American dream from the ashes of the Great Recession has become a touchstone for the nation against which all others will measure their fortitude, resilience, and commitment to invest in our greatest values. Their strength and leadership grows daily as workers come together to reclaim the American Dream and demand that Wisconsin's elected officials—our public servants—work once again for workers.

ENDNOTES

1. Center on Wisconsin Strategy. 2010. The State of Working Wisconsin, 2010
2. Center on Wisconsin Strategy, The State of Working Wisconsin 2010, <http://www.cows.org/pdf/rp-soww-10.pdf>.
3. All earnings data cited in this brief have been adjusted for inflation, and are from a Dēmos analysis of the Annual Demographic Survey (March Supplement) of the Current Population Survey (CPS).
4. Center on Budget and Policy Priorities and Economic Policy Institute, Pulling Apart: A State By State Analysis of Income Trends, April 2008. <http://www.cbpp.org/files/4-9-08sfp-fact-wi.pdf>
5. David Himmelstein, Deborah Thorne, Elizabeth Warren and Steffie Woolhandler. Medical Bankruptcy in the United States, 2007: Results of a National Study, American Journal of Medicine, 2007. http://www.washingtonpost.com/wp-srv/politics/documents/american_journal_of_medicine_09.pdf
6. Heidi Shierholz and Kathryn Anne Edwards, The Class of 2011: Young Workers Face a Dire Labor Market Without a Safety Net, Economic Policy Institute, April 2011. http://epi.3cdn.net/c7d6ec52122ea9c188_rbm6bc14a.pdf
7. Digest of Education Statistics, "Average undergraduate tuition and fees and room and board rates paid by full-time-equivalent students in degree-granting institutions by control of institution and by state."
8. The Project on Student Debt, Student Debt and the Class of 2009, October 2010. <http://projectonstudentdebt.org/files/pub/classof2009.pdf>
9. Dēmos analysis of the Current Population Survey (CPS).

ABOUT DĚMOS

Dēmos is a non-partisan public policy research and advocacy organization. Headquartered in New York City, Dēmos works with advocates and policymakers around the country in pursuit of four overarching goals: a more equitable economy; a vibrant and inclusive democracy; an empowered public sector that works for the common good; and responsible U.S. engagement in an interdependent world. Dēmos was founded in 2000.

In 2010, Dēmos entered into a publishing partnership with The American Prospect, one of the nation's premier magazines focussing on policy analysis, investigative journalism and forward-looking solutions for the nation's greatest challenges.

ABOUT CENTER ON WISCONSIN STRATEGY

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. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

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