

Wisconsin's Workforce Challenges Intensify

Census data suggest the number of working-age individuals living in Wisconsin has declined for several straight years, as has the state's youth population. Meanwhile, the aging baby-boom generation is greatly expanding the population of retirees. These shifts signal challenges ahead for the state's workforce and economy.

Demographic changes can have profound effects on the economic and fiscal health of a community. For many years, our research on demographic trends in Wisconsin has exposed an “impending storm” on the horizon. In short, projections pointed to rapid growth in the state's senior population coupled with almost no growth among those of working age (18-64), who are critical to the state's productivity and ability to fill and create jobs.

Here, we examine how these trends have already begun to play out across the state and consider both possible future impacts and potential policy options to address them.

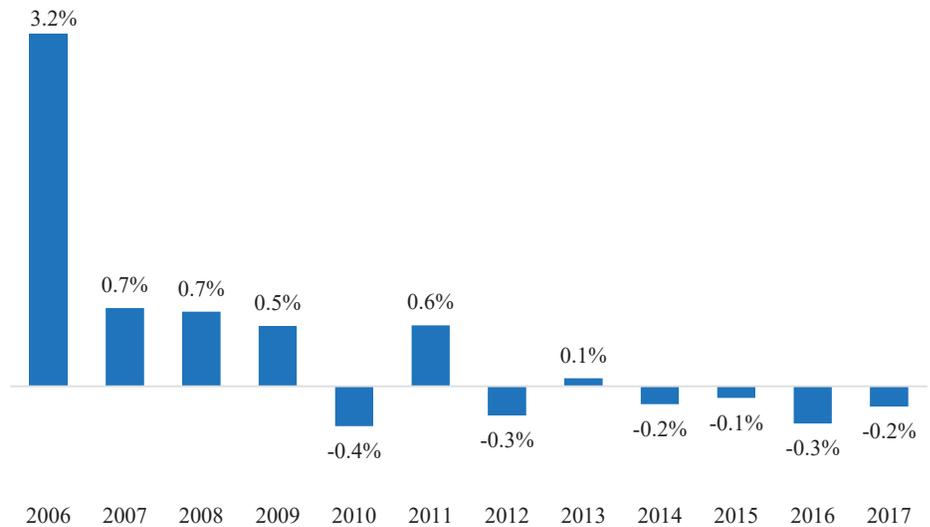
A Shrinking Labor Pool

After peaking in 2011 at 3.6 million, Wisconsin's working-age population has receded by over 35,000 (or 1%) since, U.S. Census data show. In fact, the state's working-age population has declined slightly in each of the last four consecutive years. (See Figure 1.) While relatively small, this string of losses reverses a long-term growth trend and heightens concerns about the state's future workforce.

Making matters worse, Wisconsin's population of youth under the age of 18 — a key source of future workers — also has decreased in recent years. The youth population has declined by over 45,000 since 2011, a 3.4% drop. That trend is likely to continue in the future as well; our past research has shown that the state's birth rate is at its lowest point in at least a generation, and its fertility rate (births relative to population of women ages 15 to 44) also has declined over the past decade.

The latest population and employment projections only add to concerns that Wisconsin could experience future worker shortages. The state's Department of Workforce Development projects that between 2016 and 2026, total jobs in Wisconsin will increase by 210,178 (6.8%), and many more job openings will be created as baby boomers continue to retire. At the same time, state projections show virtually no growth in the state's working-age

Figure 1: Wisconsin's Potential Labor Pool Declines
Percentage Change in State's Working-Age Population (ages 18-64)



Source: U.S. Census Bureau—American Community Census

population through 2040, meaning if job growth continues an even larger gap could develop. While long-term jobs projections are difficult to make and could turn out to be inaccurate (due to a variety of factors such as changing technology and automation), these numbers paint an ominous picture.

Notably, the statewide decline in working-age residents has affected most though not all counties. Among the state's 23 most populous counties, 17 have seen their working-age populations shrink since 2011. (See Figure 2 on page 2.) The working-age population in Wood County (where Wisconsin Rapids and Marshfield are located) has declined by the largest percentage (-5.9%) during that period, followed by Manitowoc County (-4.6%). Milwaukee County has lost the largest number of working-age residents (-8,846).

On the other end of the spectrum, Dane County has increased its working-age population by the largest number (>15,000) and percentage (4.7%) since 2011, a trend likely influenced by UW-Madison's attraction and retention of students from both within and outside the state. Dane County also has shown

strong and steady growth in its population of youth under 18, which will help to ensure a healthy labor force well into the future.

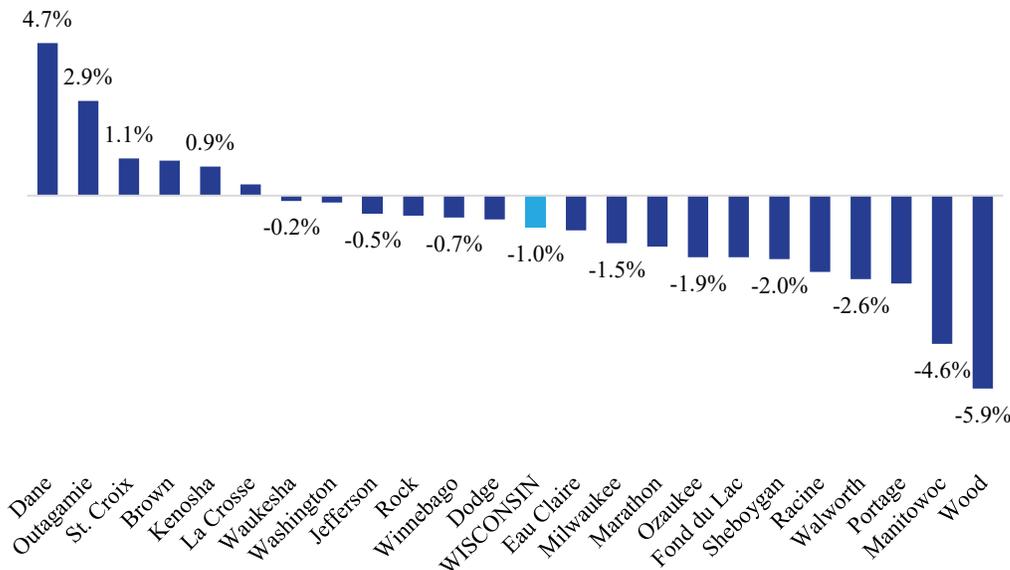
Another exception is Outagamie County, where Appleton is located, which has seen its working-age population grow by 2.9%. St. Croix and Kenosha counties also have seen modest increases in their working-age populations, but both counties border neighboring states and many of the jobs held by their residents are located in the Twin Cities and Chicago metro areas.

An Aging Population

While younger age cohorts have waned in recent years, Wisconsin's senior population has grown rapidly. That growth has been driven primarily by the aging of the state's population of baby boomers rather than to seniors moving into the state. Since 2011, the state's population ages 65 and over has increased by 163,970. (See Figure 3.) Since 2005, it has grown by 42%.

As Wisconsin's demographic makeup skews older, what does that mean for the state's economy and fiscal health? In the

Fig. 2: Few Counties Gain, Most Lose Working-Age Population
Percentage Change in Working-Age Population by County, 2011-17



Source: U.S. Census Bureau—American Community Census

near term, with unemployment at a historic low, it means fewer potential workers in a tight labor market. That could affect both the state’s ability to fill existing jobs and its efforts to attract new businesses and convince existing businesses to expand.

In the long term, it also means fewer people working to help support a growing population of retirees. Working people tend to generate more income tax revenue for the state and spend more on taxable goods than retirees, while retirees typically place greater demands on certain public services (like emergency medical services, public health, and human services). If lagging income and sales taxes exacerbate state budget challenges, then that could diminish the state’s ability to keep up with growing demand for health-related services and to

share revenue with local governments to meet their own increasing service demands.

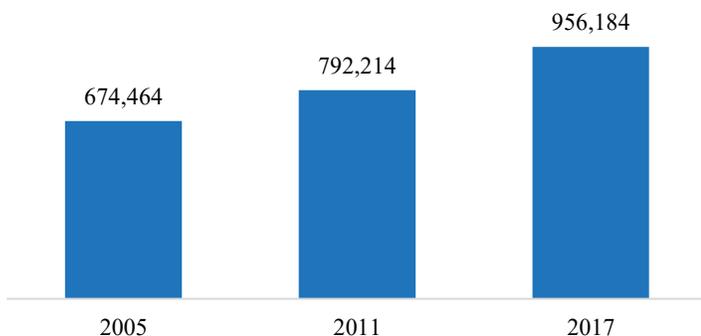
Possible Solutions

Wisconsin is far from the only state facing this set of challenges. National research by the Economic Innovation Group shows half of U.S. states and 80% of U.S. counties lost “prime” working-age adults (ages 25-54) between 2007 and 2017. To address the challenge, a range of state, federal, and private sector strategies have been proposed or could be considered.

First, new or expanded efforts could be made to increase labor force participation for Wisconsin’s existing population. For example, creating more flexible, part-time employment options could make it more attractive for seniors to stay in the labor force longer or for stay-at-home parents to pursue paid work.

Other efforts to encourage teens to work part time could be pursued as well, as teen labor force participation has declined substantially since the 1990s. Census data show Wis-

Fig. 3: Senior Population Growing Rapidly
Wisconsin’s Population Ages 65 and Over



Source: U.S. Census Bureau—American Community Census

consin has been among the states with the highest teen labor force participation rates for at least a decade, but participation in Wisconsin has declined along with the national trend and was under 52% in 2017.

People with criminal records are another potential labor pool that could be better utilized. Reducing barriers to employment imposed by criminal records, such as by expanding reentry services that help ease the transition of formerly incarcerated individuals into the community and workforce, could prove effective. To that end, the state has recently begun to incorporate job centers into its correctional facilities.

Another set of strategies could focus on attracting more people to Wisconsin from other states or countries. Our research has shown more people have moved away from Wisconsin than to the state every year for more than a decade.

One option, for example, would be for the University of Wisconsin System to continue to increase enrollment of non-resident students at its institutions, which it has already been doing in recent years.

Though always a highly contentious topic, proposals to expand immigration in a targeted manner to fill identified workforce shortages have begun to garner national attention as well. For example, the bipartisan Economic Innovation Group has proposed a federal “Heartland Visa” program to attract skilled workers from abroad to areas of the country with declining populations. The concept envisions allowing individual communities to “opt in” to welcoming skilled immigrants, with eligibility criteria established by federal, state, and local governments.

While solutions to the challenges brought on by Wisconsin’s shrinking workforce could come in a range of forms, it is clear that the situation demands increased attention from state policymakers. Efforts to grow Wisconsin’s economy will be hampered by a flat or declining workforce, and Wisconsin’s growing population of retirees creates additional challenges for the state and local governments that policymakers will need to address.

