

WISCONSIN SHED FEWER JOBS THAN NEIGHBORS IN PANDEMIC'S WAKE

A little more than six months into the COVID-19 pandemic, Wisconsin had lost more than 150,000 jobs from the same point a year earlier. Businesses that depend on face-to-face interaction with customers, such as entertainment, recreation, accommodation, and food service sectors, were especially hard-hit. Yet this sizable blow to employment in Wisconsin was less severe than in neighboring states and the nation as a whole.

The economic impacts of the pandemic continue to ripple throughout the nation's economy more than a year after it reached U.S. shores, even as encouraging signs emerge from mass vaccinations and re-openings. Still, the recent signs of progress – which include sinking unemployment rates and growing gross domestic product – are a welcome shift from much of 2020, which was marked by surging COVID-19 cases and an economic downturn of unprecedented suddenness and severity.

In this report, we seek to better understand how Wisconsin's economy was affected during the early months of the pandemic. Using the most recent employment census from the Bureau of Labor Statistics (BLS) – which runs through the third quarter of 2020 –

we analyze how Wisconsin compared to neighboring states and the rest of the nation. We primarily rely on data from the Quarterly Census of Employment and Wages (QCEW), which covers the great majority of employers and workers in the country.

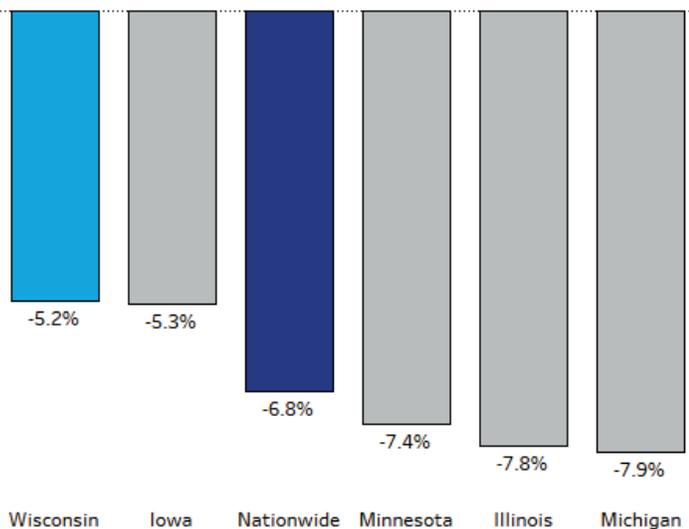
These data show virtually no part of the state or national economy was left untouched during a period in which public health restrictions were widely implemented, employers reacted to the health measures and recession, and individual behavior changed rapidly as Americans sought to minimize exposure to the novel coronavirus.

HOW WISCONSIN COMPARES

Employment cratered in Wisconsin and nationally from March to April 2020, then climbed in the spring and summer months. Yet notably, total year-over-year employment losses in Wisconsin from September 2019 to September 2020 were smaller, on a percentage basis, than the national average and the losses in the neighboring states of Illinois, Iowa, Michigan, and Minnesota (see Figure 1). A look at the jobs picture broken down by super-sector (a QCEW classification that groups employment into 12 broad categories) provides additional context. In the 10 super-sectors for which data are available for all states, Wisconsin's year-over-year decline in employment on a percentage basis through September was smaller than the national decline in all 10.

In the five-state region that includes Wisconsin and its four neighboring states, Wisconsin's employment loss percentage was lower than the combined loss of the

Figure 1: Wisconsin Fares Better Than Neighbors, Country
Percentage drop in total jobs, September 2019 to September 2020

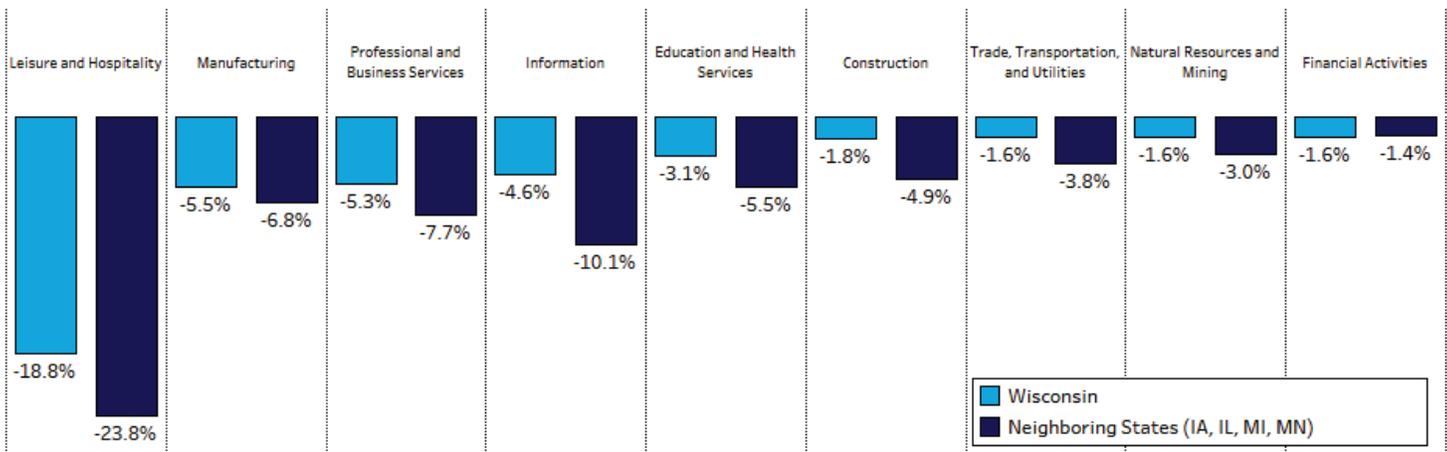


Source: Bureau of Labor Statistics



Figure 2: Wisconsin Fares Better Than Neighbors Across Nearly All Sectors

September 2019 to 2020 employment change by industry*



Source: Bureau of Labor Statistics. *Excludes "Other" employment category

other four states across nearly all super-sectors (see Figure 2). In this region, only Iowa rivals Wisconsin in limiting its employment losses during this period. Since then, more recent monthly survey data running through January show relatively modest changes in overall employment in Wisconsin compared to September and to other states.

Employment is just one measure of the state's economic position. Still, these findings underscore one metric that puts Wisconsin on better footing than some other states from which to continue to rebuild its economy.

An additional boost may come from the American Rescue Plan Act (ARPA), which will provide a massive infusion of federal funds to states and localities. Wisconsin Gov. Tony Evers is pledging to use much of the state's share of federal relief funds to aid businesses, boost the tourism industry, and improve the state's infrastructure – all of which have the potential to preserve or create jobs.

In considering uses for these dollars, state and local governments may wish to consider the disparate impact this downturn has had on certain economic sectors, particularly the leisure and hospitality super-sector.

CERTAIN SECTORS HIT HARDER

The Forum's March 2020 report, "[COVID-19's Impact on Jobs in Wisconsin](#)," sought to examine in the early days of the pandemic how key sectors of the state's economy

would be affected. It focused on sectors including arts, entertainment, recreation, accommodation, food services, personal care services, and certain retail stores.

We are now able to examine actual employment changes in these sectors through September 30 and find that they cumulatively accounted for more than 61,000, or about 41%, of jobs lost in Wisconsin through Sept. 30 (see Figure 3 on page 3).

This is notable given that employment in these sectors made up only 17% of total employment in the state at the start of the pandemic in March 2020. That share declined to about 12% in April 2020 as employment in these sectors tumbled amid the initial implementation of public health restrictions and widespread public concern about the spread of COVID-19. Together, these sectors shed more than 182,000 jobs from March to April, a stunning 38% decline in just a month's time, before beginning to rebound.

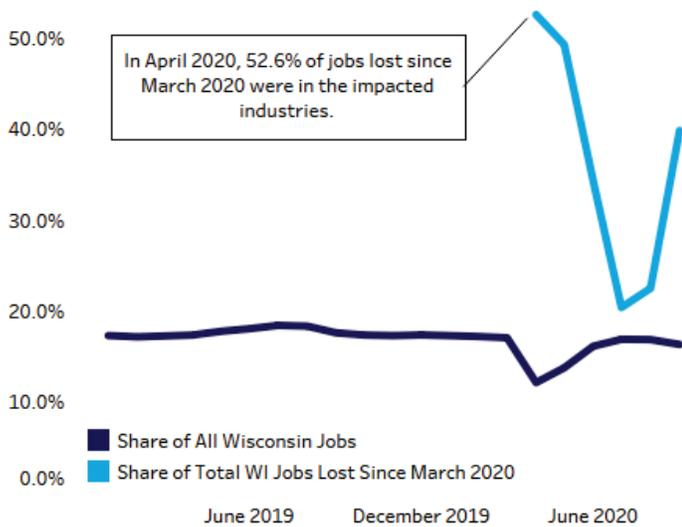
One key consequence of this decline was the greater toll it took on the low-wage workers employed in these sectors. As our earlier research noted, workers in these parts of the labor market have had far greater exposure to both the economic and health risks of the pandemic.

Employment declines in these sectors were especially striking in contrast to the period immediately preceding the pandemic, when some – such as arts, entertainment, and recreation and accommodation and food services – had been among the fastest-growing in



Figure 3: Few Industries, Heavy Losses

Jobs in affected industries* as share of all Wisconsin jobs since January 2019



Source: Bureau of Labor Statistics. *Includes accommodation and food services; arts, entertainment, and recreation; personal care services; and retail trade.

Wisconsin. These sectors are grouped into the “leisure and hospitality” super-sector under QCEW classifications. From January 2019 to January 2020, employment in this super-sector increased more quickly on a percentage basis in Wisconsin than nationally or in neighboring states, and it is one of only two super-sectors in which Wisconsin’s employment increase on a percentage basis during this period outpaced the national increase.

Another major source of job losses came in the state’s manufacturing sector, which shed more than 26,000 jobs year-over-year through September. Unlike Wisconsin’s leisure and hospitality super-sector, the state’s manufacturing employment had declined from January 2019 to January 2020. In Wisconsin, these two super-sectors alone accounted for more than half of the state’s year-over-year job losses through Sept. 30.

The distribution of these sectors had a significant influence on the distribution of employment losses across Wisconsin’s 72 counties. Counties with economies relying more heavily on leisure and hospitality, such as those housing large cities or tourism hubs, were among the hardest hit.

PATH TO RECOVERY

The enormous scope of initial damage notwithstanding, by September, Wisconsin and other states had made substantial progress in recovering from job losses seen in April. About 74% of the more than 345,000 jobs lost in Wisconsin from March to April 2020, as well as about 80% of jobs lost in the most hard-hit industries highlighted in our March 2020 report, had been regained.

This put Wisconsin on track for a more robust initial jobs recovery than nationally, where 57% of total March- to-April job losses, and about 62% in the most hard-hit industries, had been regained. Once again, Wisconsin’s trajectory here also compares favorably to neighboring states – only Iowa did better during this period in its percentage of total jobs regained, and none topped Wisconsin in jobs regained in the most-affected industries.

While more recent QCEW employment data will not be available until June, other BLS data such as the Current Employment Statistics (CES) survey offer a timelier – if somewhat less reliable – look at the employment picture since Sept. 30. In January, the most recent month for which final state and national CES employment data were available at the time of this report, Wisconsin’s year-over-year decline in total nonfarm employment was about 5.3%, besting the 6.1% drop nationally and all of the state’s neighbors except Iowa.

However, the survey shows only modest job growth occurred in the fall and winter months, a period in which the disease spread rapidly in Wisconsin. Though the rise in vaccinations in the last several months should help, these data suggest much work remains for the public and private sectors alike.

To catalyze the economic recovery, Evers recently announced a plan to use the state’s share of ARPA funds to provide \$600 million in aid for businesses affected by the pandemic, along with an additional \$50 million for aid to the state’s tourism industry. GOP lawmakers have put forward competing plans focused on a property tax cut. Notably, another provision of the rescue plan act sets aside \$25 billion in aid nationally for restaurants and bars.



CONCLUSION

Additional research may be warranted to explain why Wisconsin fared better than many other states in minimizing employment losses during the period studied in this report. One factor that may be worth noting is that Wisconsin's share of employment in some of the industries we have cited as most affected by the pandemic – as well as in the leisure and hospitality super-sector specifically – was less than the national share, and roughly middle of the pack among neighboring states, at the start of the pandemic.

There is mixed evidence about another potential contributing factor, the comparative severity of the pandemic in Wisconsin through Sept. 30. Wisconsin's total per-capita COVID-19 case levels were middle-of-the-pack among neighboring states during this period, and actually slightly above the national per-capita rate. Its per-capita COVID-19 deaths for the period, however, were significantly below that of the nation and of all neighboring states.

Now, as the vaccination initiative holds out hope for a return to normalcy, accelerating the economic recovery and targeting assistance to those sectors that have been hit the hardest are among the chief tasks facing state and local lawmakers. This analysis provides some insight into areas of Wisconsin's economy that were most affected during the turbulent early period of the pandemic as well as a stark reminder of the devastating extent of initial employment losses in Wisconsin during that period.

The influx of federal aid from ARPA presents policymakers with a critical opportunity to counteract the economic impact of the pandemic. Thoughtful and strategic use of these dollars will be essential. While they will face many competing demands, state and local policymakers may wish to consider how to prioritize the industries most affected by employment losses in 2020.

