

AN UNEVEN RECOVERY FOR WISCONSIN JOBS

After economic upheaval during the early pandemic, recent numbers show total employment in Wisconsin is now down only slightly compared to pre-COVID levels. The recovery, however, is uneven across the economy. In some sectors, such as clothing stores, job numbers are still far below 2019 levels, while in others, like warehousing and storage, they are far above. Still others, such as health care, show worrying signs for the future, suggesting policymakers may wish to consider further how to cope with Wisconsin's declining working-age population.

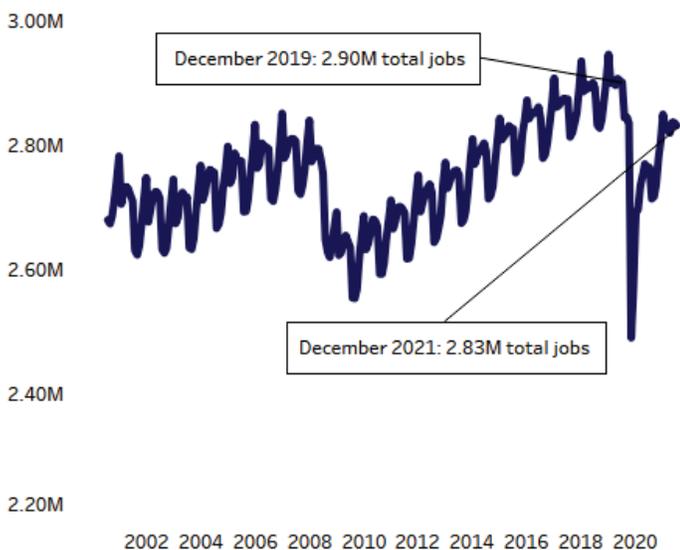
Despite a fairly swift recovery from the early months of the pandemic, total employment in Wisconsin was still down by 69,428 jobs (2.4%) in December 2021 relative to December 2019. That said, the pace of recovery is noteworthy – especially when considering that in April 2020, Wisconsin's total employment fell to its lowest level (2.49 million jobs) in more than 20 years (see Figure 1).

The nature of the pandemic has caused the rebound to play out differently across economic sectors in Wisconsin. Employment in certain parts of the economy, such as clothing stores, remains well below pre-

pandemic levels, while jobs in warehousing have grown – a clear result of the rise in online commerce. Other sectors, such as healthcare and social assistance, fared relatively well during the early months of the pandemic but showed declines in late 2021 that raise potential concerns – especially given the state's aging population.

In this report, we use monthly data from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW) to analyze job trends in Wisconsin. After discussing the bigger picture of Wisconsin's total employment numbers, we dive into the diverging trends of specific sectors of the state's economy.

Figure 1: WI Employment Rebounds, But Not All The Way
Total employment in Wisconsin by month, Jan 2001 to Dec 2021



Source: Bureau of Labor Statistics - Quarterly Census of Employment and Wages.

AN EVOLVING ECONOMIC PICTURE

In the past, we have [discussed](#) how Wisconsin's aging population, low birth rate, and lackluster net migration figures have led to a reduction in the working-age population (here defined as individuals between the ages of 18 and 64). The Wisconsin Department of Administration [projects](#) the state's working-age population will remain roughly the same size – if not decline slightly – until at least 2040.

Indeed, from 2010 to 2019, Wisconsin's working-age population declined by 1.0%. While the state's overall adult population (ages 18 and older) is growing year-over-year, there is a much more rapid increase in those over the age of 65. In other words, Wisconsin's residents are reaching a typical retirement age at a much faster rate than they are entering the workforce, shrinking the overall labor pool. On top of that, the pandemic caused [more people to retire at earlier ages](#),

and it is still unclear to what extent those retirees can be lured back into the workforce.

In addition, data from the federal Current Population Survey suggest that the share of individuals in the workforce who [work multiple jobs](#) is below the pre-pandemic share. That could also be limiting employment levels as tracked by QCEW data, which measure the total number of jobs.

Today, Wisconsin’s [unemployment rate](#) is hovering at around 3.0%, which is close to a record low. And while the labor force participation rate has [declined](#) in Wisconsin since the late 1990s, it is at or near late 2019 levels and still a few percentage points above the [national rate](#). (Labor force participation is defined as the number of people in the workforce as a share of the overall population after excluding those who are younger than 16, active members of the military, or living in prisons, residential care facilities, or other institutions.)

While low unemployment and relatively high labor force participation can be seen in some ways as good news for the state, the lack of available workers also may be limiting job growth and the pace of economic recovery.

THE SECTORS STILL LAGGING BEHIND

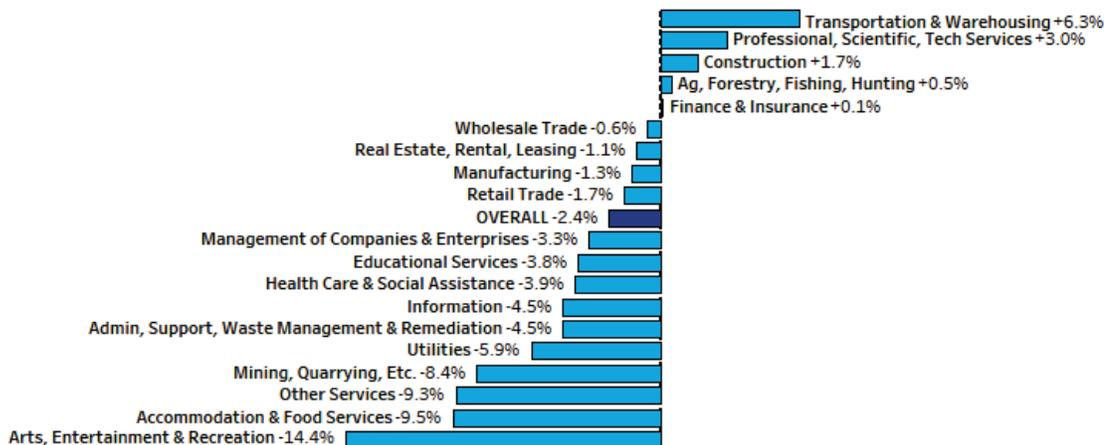
In March 2020, we [noted](#) that certain sectors were more likely to be impacted by the pandemic, including accommodation and food services; arts, entertainment, and recreation; personal care services; and some forms of retail trade.

In fact, those sectors were hit hard and have been the slowest to recover. Among the 58 subsectors within the North American Industry Classification System (NAICS) with at least 10,000 workers in Wisconsin in December 2021, several sectors within the highlighted group are among those with the largest employment drops relative to December 2019. This includes clothing and clothing accessories stores (-20.0%); amusements, gambling and recreation (-15.1%); membership associations and organizations (-12.8%); accommodation (-12.0%); personal and laundry services (-11.5%); and food services and drinking places (-9.1%). Combined, these six subsectors alone account for a decline of 38,142 Wisconsin jobs since December 2019 – more than half of the 69,428 total jobs lost since that time.

Job losses in the food services and drinking places subsector are particularly noteworthy. After educational services, this subsector employs more Wisconsinites than any other, typically accounting for 6% to 8% of total statewide employment. In the first month of the pandemic, employment in this subsector dropped from 199,135 to 105,142 – a decline of 47.2% that was larger than in nearly all other subsectors.

Though job recovery in this subsector has been swift, it is still down over 9% from pre-pandemic levels. Restaurants and other food service businesses in Milwaukee County (-11.8%) and Dane County (-13.1%) have fared even worse than statewide averages; only eight of the 65 Wisconsin counties with ample QCEW data had seen a full recovery in employment in food services and drinking places as of December 2021. The

Figure 2: Employment in Most Sectors Still Less Than 2019 Levels
Change in statewide employment by NAICS sector, December 2021 vs. December 2019



Source: Bureau of Labor Statistics - Quarterly Census of Employment and Wages



9.1% drop in employment in Wisconsin is also larger than the 6.0% drop nationally in the same subsector.

ONE SECTOR IS THRIVING

Of the 19 broad sectors that the QCEW tracks, only five had higher employment levels in Wisconsin in December 2021 than two years prior. These include the very small “agriculture, forestry, fishing, and hunting” sector, as well as three sectors with pandemic-specific explanations for growth: construction, which benefited from a boom in real estate; and finance and insurance and professional, scientific, and technical services, which are sectors that are conducive to working from home.

Employment in one sector, however, has expanded more than twice as fast as any other: transportation and warehousing, which grew from 121,404 jobs in Wisconsin in December 2019 to 129,015 in December 2021, a 6.3% increase (see Figure 2 on page 2).

The [transportation and warehousing sector](#) includes jobs related to the shipping and storing of goods. Two subsectors within it stand out in Wisconsin as having created more than 10,000 jobs combined during the aforementioned two-year period: [couriers and messengers](#) added nearly 4,000 jobs (26.6%) to reach 18,950, while [warehousing and storage](#) added nearly 8,000 (33.7%) to reach 31,750. Only two other subsectors with at least 10,000 employees grew by even 10% over the same time period – Chemical Manufacturing (+10.3%) and Administration of HR Programs (+10.1%).

The rise in warehousing and storage jobs may be attributable to Amazon’s growing presence in the market and the [rise in online commerce in general](#). In June 2015, the first Amazon Fulfillment Center in Wisconsin opened in Kenosha County; a second in Milwaukee County opened in October 2020. From January 2001 to June 2015, Wisconsin added about 5,000 warehousing and storage jobs, while since June 2015, more than 16,000 have been added. Of those, nearly 10,000 are in Kenosha and Milwaukee counties alone, and large increases in each of those counties occurred in the first few months following the opening of the fulfillment centers.

The “couriers and messengers” subsector includes employees that deliver items, particularly on the local and intercity level. The growth in this subsector likely

reflects in some way the shift from in-person to online retail and does not even include the rise of app-based services such as Doordash or Instacart, since their self-employed drivers would not be included in the QCEW data. Though employment grew in this subsector in Wisconsin and nationally during the pandemic, courier and messenger jobs started seeing large upticks as early as 2017 and 2018.

THE SECTOR WITH REASON FOR CONCERN

The [Health Care and Social Assistance](#) sector includes those who work in [Ambulatory Health Care Services](#) (outpatient), [Hospitals](#), [Nursing and Residential Care Facilities](#), and [Social Assistance](#).

After dropping by 7.8% from 435,657 in March 2020 to 401,653 in April, jobs in this sector rebounded to 430,193 by July 2021. Since that time, however, jobs in this sector have declined by about 9,000 to 421,205 in December 2021, or 3.9% below the December 2019 total. Given the state’s aging population, it appears likely that employer demand for workers is high and that declining employment numbers reflect the difficulty involved with attracting and retaining staff in the health care sector.

Statewide, the decline in jobs in the Nursing and Residential Care Facilities subsector may be the most concerning. In December 2019, 83,011 Wisconsinites were employed in this subsector, which was in line with job numbers over the previous decade. Since then, employment has fallen by over 10,000 and was at 71,984 in November 2021 – the lowest level since March 2003. Total employment in the Hospitals subsector also has yet to return to pre-pandemic levels, despite actions by hospitals to address their workforce challenges that include temporary staffing, retention and recruitment bonuses, and flexible scheduling.

The Wisconsin Hospital Association’s 2022 [Workforce Report](#) notes that “COVID-19 accelerated trends that were already stressing Wisconsin’s health care workforce – most notably, increasing demand for health care services by an aging population combined with disproportionate retirements of health care workers relative to new professionals entering the field.” Our July 2021 report on [healthcare graduates in southeastern Wisconsin](#) also looked at the challenges of meeting the demand for workers in these fields.



FUTURE IMPLICATIONS

Compared to the Great Recession, total employment in Wisconsin has rebounded quickly following the initial economic turmoil brought on by the arrival of COVID-19. While it took six or seven years following the Great Recession for jobs to return to pre-recession levels, employment in the state could return to pre-pandemic levels sometime in 2022 or 2023.

That said, the economy has shifted in profound ways. Because of the pandemic, both nationwide and in Wisconsin, in-person visits to restaurants and retail stores have been impacted and more products are being ordered online and delivered to people's homes. [A recent analysis](#) by Marquette University Law School's Lubar Center confirms similar trends are true in Milwaukee.

Additionally, the state faces a long-term challenge with regard to its aging population and shrinking labor pool. That could stress the economy as a whole and certain industries in particular. The pandemic, for example, has contributed to a downturn in employment in health care fields at a time when a growing proportion of the state's population needs health care. Rising interest rates and inflation could also slow growth in overall employment even if they do not lead to an outright recession.

In short, Wisconsin has reason to celebrate its relatively rapid jobs recovery following huge losses in 2020. However, labor shortages and continued struggles in certain key sectors now pose a sizable challenge to the state's economy and quality of life and could require attention and action from lawmakers. Those steps could include bolstered and targeted education and worker training, renewed efforts to lure workers from other states and countries, and enhanced efforts to identify and reduce other barriers to employment. Though some of the options may be difficult in terms of both policy and politics, a range of approaches may be needed to ensure Wisconsin meets its needs and grows its economy in the years to come.

