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Whichever Yardstick You Use, Wisconsin Remains “Stuck in Neutral” on Jobs

A Pair of New Issue Briefs Examines State’s Employment Stagnation

In recent weeks, much has been made of Governor Walker’s rejection of the traditionally used jobs figures provided by the U.S. Bureau of Labor Statistics (BLS), choosing to focus instead on an alternative counting method. A new analysis by the Wisconsin Budget Project, “Stuck in Neutral,” [http://www.wisconsinbudgetproject.org/jobs_growth_stuck_in_neutral.pdf] shows that whatever batch of data one relies on, Wisconsin’s economic recovery is lagging the rest of the country. There are not enough jobs being created in the state to keep up with population growth, let alone regain what was lost during the recession.

“Whether you believe the count that says we’ve lost some jobs or the count that says we’ve gained some jobs, it’s clear that we’re basically treading water” said Tamarine Cornelius, author of the issue brief. “The problem is that the recession threw us into some extremely deep water, and we’re still very far from shore.”

The issue brief is accompanied by a fact sheet that lays out the different sets of numbers, leaving the interpretation to the reader. [http://www.wisconsinbudgetproject.org/hard_facts_wi_jobs.pdf]

A second issue brief released today, “A Broader Measure of Economic Performance in the States,” [http://www.wisconsinbudgetproject.org/economic_performance_wi_philly_fed_index.pdf] looks at a measure of economic growth known as the “coincident index,” updated each month by the Federal Reserve Bank of Philadelphia. The “Philly Fed” uses a broader set of indicators to calculate its index. Their figures reveal that Wisconsin’s growth is lagging behind the national average, and is far behind that of other states in our region. The coincident index shows a 1.0 percent improvement in Wisconsin since December 2010, but that’s only one quarter of the growth rate nationally.

Peacock added that the Federal Reserve figures show that since the new budget took effect last July, Wisconsin’s economic improvement has been one-tenth or less of the growth in Illinois, Iowa and Michigan. “Given the range of indicators the Federal Reserve takes into account, it’s clear that Wisconsin’s approach to economic development has not enabled us to keep up with our neighbors.”

The Walker administration’s strategy of stoking private sector job growth through corporate tax breaks does not appear to be succeeding. The Budget Project’s analysis found that more than three-fourths of the tax cuts implemented recently are not tied to any job creation requirement. In other words, a company gets to take advantage of the breaks regardless of whether they actually add any new jobs.

“Historically, tax cuts and credits don’t have a particularly strong record of leading to new jobs,” said Wisconsin Budget Project Director Jon Peacock. “But if you’re going to use that strategy anyway, it makes far more sense to target those tax breaks to employers who are actually going to hire people.”

While Wisconsin continues to struggle to create jobs, the Walker administration has pointed to a declining unemployment rate as evidence that things are beginning to turn around. However, as noted in “Stuck in Neutral,” even the state’s falling unemployment rate is a mixed signal; Wisconsin’s unemployment rate is decreasing at a slower pace than those of our Midwestern neighbors in Minnesota, Michigan, Iowa, Indiana, and Ohio.

“We believe a change in strategy is overdue,” Cornelius said. “Wisconsin needs to bolster its investments in the things we know provide a lift to the economy and create jobs—things like health care, transportation, education, and public safety. That’s a more realistic path to recovery.”

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