Labor Market Trends in Wisconsin

Wisconsin is expected to experience positive job growth through 2022, but the retirement of baby boomers, unfavorable migration patterns, and skill and geographic mismatches between available workers and available jobs may hinder the state’s ability to fill these job openings. This brief summarizes Wisconsin’s labor market trends and policy options to address labor market quantity and quality issues.

Does Wisconsin Have a Labor Shortage?
The term “labor shortage” indicates there are not enough workers for the jobs available—a quantity problem that can be solved by increasing the number of workers. An analysis of the unemployment rate, average hours worked, and wage growth suggests there is weak evidence of severe labor shortage in Wisconsin. There is, however, evidence that we are experiencing a “tight” labor market with a small pool of available workers. This could worsen to a more serious shortage in the future, particularly in some sectors, as a large portion of the population retires from the workforce and there aren’t enough working age people to replace them.

Does Wisconsin Have a “Brain Drain” Problem?
One important factor affecting the size of the workforce is the number of workers who move out of and into the state. Compared to other states, Wisconsin has a low rate of out-migration (“brain drain”) of the college-educated, working-age population. Once people move here, they tend to stay. However, similar to other Midwestern states, Wisconsin has a low in-migration rate (“brain gain”). Consequently, the state is facing a bigger challenge with brain gain than brain drain. Wisconsin is not attracting enough people to offset those who leave.

Does Wisconsin Have a Skills Mismatch Problem?
The more immediate challenges in Wisconsin’s labor market are the geographic and skills mismatches—labor quality issues—which create a situation that might be perceived as a labor shortage:

- **Geographic/spatial mismatches**—appropriately skilled workers don’t live where the job opportunities are
- **Skills mismatches**—job seekers do not have the skills employers require for their open positions

In Wisconsin, there are more jobs than workers for low-skilled positions that require a high school diploma or less, and most of the future job growth is in this area (as shown in the figure). One primary reason for unfilled entry-level jobs in both urban and rural areas is a geographic mismatch. Furthermore, a large portion of the state’s current workforce is qualified for more skilled work, which can lead to a surplus of high-skilled workers who seek work elsewhere and contribute to the net negative migration of young degree holders.

Policy Options to Address Labor Market Challenges
Policy options can address both labor quantity and labor quality issues. To address the labor quantity problem, options include:

- **Increasing the pool of workers already in the state** through policies that engage and support mothers of young children; people with criminal histories; and low-wage, low-skilled workers in the workforce.
- **In-migration policies** to attract new workers to the state, such as placemaking efforts that improve the quality of life and attract residents and entrepreneurs. For example, Indiana’s Regional Cities Initiative aims to make the state a destination for workers.

To address geographic and skills mismatches, policy options could focus on:

- **Shifting the industrial composition** by leveraging strategies to attract companies that can hire the state’s high-skilled workers. One example is “economic gardening” programs that support young, high-growth-potential companies.
- **Encouraging entrepreneurship** for young businesses, which are currently driving net positive job creation in Wisconsin, through tax incentives and redirecting business incentives to Wisconsin’s new entrepreneurs.

In a tight labor market, policymakers have the unique opportunity to address the small pool of workers and geographic and skills mismatches. Employers might be willing to expand their search to workers they might not typically consider, such as people with criminal records, or invest in training for under-skilled workers. Low-skill workers are looking to move into higher-paying, family-supporting jobs that are closer to their home. Targeted, evidence-based strategies can help create the conditions under which employers and workers are successfully matched, and the state economy can prosper.