Badger Institute: Report offers blueprint for increasing labor force participation in Wisconsin

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Aug. 9, 2018 — While Wisconsin has a labor force participation rate (LFPR) of 69 percent, well above the national rate, more can be done to draw additional workers in from the sidelines, according to a new Badger Institute report titled "Wisconsin: A Blueprint for More Workers."

Authors Ike Brannon and Andrew Hanson found that increasing the state's labor force participation rate by just 1 percentage point would increase gross state product by a whopping $667 annually per resident.

"Given our white-hot state economy and historically low unemployment rates, politicians, pundits and employers are understandably concerned about a tight labor market," said Brannon, president of Capital Policy Analytics and a visiting fellow at the Badger Institute. "But this challenge need not act as a constraint to growth. Our labor force participation rate is well below its state peak of 74.5 percent in 1997, and there is more we can do to increase labor force participation. The benefits of doing so accrue to everyone in the state."

"We found that while the Wisconsin labor market is quite strong relative to peer states, there is still a lot of slack compared to the participation rate in the late 1990s," said Hanson, associate professor of economics at Marquette University and a Badger Institute visiting fellow. "Finding ways to pick up that slack in our state labor market would provide substantial economic benefits to all residents, and

policy-makers should look at ways to encourage more workers to enter the labor force."

The report concludes that LFPR is "intrinsically linked to the health of the overall economy." When Brannon and Hanson estimated the effect of workforce participation on the state economy for all residents – over and above the direct effect of employment – they found that with every 1 percentage-point increase in participation, the state GSP rises significantly. In other words, all Wisconsin residents receive an increase in income when more people enter the labor market.

"I think readers will be surprised at findings in the report that challenge some long-held assumptions about who's working and who isn't, whether Wisconsin still suffers from a 'brain drain,' where employers should look for workers, and how policy changes can encourage people to get off the sidelines," said Mike Nichols, president of the Badger Institute.

Among the report's findings:

- Wisconsin's labor force participation rate is higher than the national average and outpaces the labor force participation rate of most of its neighbors.
- After 2010, Wisconsin's out-migration trend virtually ceased, and in-bound migration is a strength for Wisconsin – especially in comparison to Illinois.
- The "brain drain" phenomenon experienced in the 1990s is disappearing.
- Wisconsin's proximity to high-minimum wage states probably benefits the Badger State's economy.
- Wisconsin should examine workforce impediments and potential for shifting individuals classified as disabled and collecting Social Security Disability Insurance into jobs.
- The labor force participation rate for Wisconsin women is substantially lower than for men, while Latinos and African-Americans have a higher labor force participation rate than white residents in Wisconsin.
- Opioid abuse remains an albatross.
- Wisconsin's high incarceration rate relative to the national rate and the rates of most neighboring states creates obstacles for ex-offenders returning to the community.
- Lafayette County has the highest labor force participation rate at 81.4 percent. Adams County has the lowest at 48.6 percent. (An interactive county-by-county map of the state is available here.)