

Experts agree employers will be hesitant to lay off workers, even if recession occurs

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Experts agree employers in Wisconsin will be hesitant to lay off workers even if the economy soon enters a recession, as some economists predict.

During an interview on WisconsinEye yesterday, Wisconsin Center for Manufacturing and Productivity CEO Buckley Brinkman said manufacturers in the state have learned the importance of holding onto their employees during times of hardship.

Wisconsin's manufacturing sector currently employs 485,000 people, making up about 16 percent of the state's total employment base, Brinkman said.

"Even if we have a downturn — and we've come off of a record high now, in terms of manufacturing activity — manufacturers are really slow to allow people to go back into the workforce, because they know there's nobody else there that they can hire to replace them," he said.

Also during yesterday's interview, UW-Madison Prof. Steven Deller agreed with Brinkman, noting the difficulty that employers are facing with attracting and retaining talent in the competitive job market. In its latest report on state workforce figures, the Department of Workforce Development announced the state's unemployment rate hit a record low 2.7 percent in February.

While a recessionary period is defined by gross domestic product rather than employment, Deller explained, employment and GDP often go "hand in hand."

"It could very well be that we go into a mild recession, but we keep jobs fairly strong because of the way that we define a recession," he said.

Deller also said economists generally agree the Federal Reserve will raise interest rates two more times, resulting in a 0.25 percent increase, before going into "wait-and-see mode." While inflation remains relatively high, it has begun to decline, he

noted.

Brinkman highlighted how that trend is affecting manufacturing, noting material costs are going down while supply chains are “beginning to loosen up.” Still, he said certain businesses that are sensitive to interest rate changes are most likely to be affected.

“So if you’re a high-tech company that’s making no money, and you’ve been relying on basically free capital for your operation, you’re being impacted,” he said. “If you’re a real estate company, you’re being impacted ... Manufacturers, the thing that’s affecting us most is just the wage inflation now.”

Meanwhile, both Deller and Brinkman discussed the role of technology in surmounting workforce shortages, as manufacturers and other businesses find new ways to improve productivity. Deller said the state, the UW System and technical schools can help companies in Wisconsin “bring in new technologies, so their dependency on labor can be minimized.”

Despite that trend, Brinkman predicted job growth in the manufacturing sector will remain strong. But he argued that enhancing productivity and efficiency will be more important.

“What we’ve seen now with our efforts over the past three years, is it’s possible to get 30 percent productivity improvement out of individual manufacturers,” he said. “But you have to be willing to look at them one-by-one ... It’s finding those solutions and being able to implement them in a major way.”

Watch the full discussion here:

<https://wiseye.org/2023/04/10/newsmakers-the-state-of-wisconsins-economy/>