

PUBLIC SECTOR WORKFORCE TAKES A HIT

Amid a historically tight labor market, reports from Wisconsin's largest public employee retirement systems show that between retirements and other exits, state and local employees left their jobs at record rates in 2021. While most of those workers have been replaced, the increase in turnover raises questions about the public sector's ongoing ability to fill critical positions and merits the consideration of policymakers.

In 2021, 17,646 individuals left the ranks of the Wisconsin Retirement System's (WRS) active employees for reasons besides retirement, death, or disability. That was the most since at least 2002 and exceeded the next highest year on record by more than 2,000 workers. Overall, more than one in 10 WRS members who started 2021 as a state or local employee left their job or active status over the course of the year – another first in the available data.

These WRS data matter because they provide a broad look at state and local public employees in Wisconsin during a challenging time in the labor market. Though they do not cover every type of public employee, they include more than 250,000 teachers, police officers, prison guards, and university employees from hundreds of local governments, school districts, and state agencies. The data suggest that these employers have been buffeted by the same forces of turnover and tight labor markets as private sector employers in the state.

Here we use annual reports published by WRS, as well as similar data from separate pension systems serving the City of Milwaukee and Milwaukee County, to examine the flow of employees in and out of public pension systems over the last 20 years. The data allow us to observe why employees are leaving the system by categorizing their departures into deaths, retirements, and “other separations” for reasons such as taking a new job, having their job eliminated, or leaving the workforce to care for a child or older relative.

We also briefly examine the active members of these retirement systems to see how labor force trends have impacted their age and years of experience. Notably, in 2021, while a large number of individuals left WRS, a somewhat smaller number did join. That suggests that, for now at least, public employers generally have been

able to hire replacements, though as we will see the new workers do not necessarily have the same level of experience as their predecessors.

WHAT IS WRS?

The WRS includes most state and local government employers in Wisconsin, making it [the 13th-largest pension system in the nation](#) and 33rd-largest in the world. The WRS provides retirement, disability, and death payments to former workers and survivors. It covers more than 660,000 retirees, workers, and other participants who were or are employed by over 1,500 state agencies and local governments.

WRS participants include qualifying employees from all school districts in Wisconsin, all technical colleges, all counties except Milwaukee County, essentially all cities except Milwaukee, two-thirds of villages, roughly one-fifth of towns, and more than 200 special districts. All told, more than 1,430 local governments participate.

However, some local governments do not participate and among those that do, not all their employees are WRS members. Part-time and limited-term employees, for example, do not qualify for WRS benefits – the same is true for city of Milwaukee and Milwaukee County workers – so the data do not cover these workers. Other factors could also affect comparisons. For example, WRS has gained employers over the years, which may make it somewhat harder to compare results over time.

That said, the figures from the WRS and the two Milwaukee systems provide solid data on public workers qualifying for benefits in Wisconsin and represent the only statewide data available on turnover among municipal and other local government employees.

MANY LEAVING THE SYSTEM

By the end of 2021, WRS had 257,683 active members. That marked the second straight year of net declines after accounting for new hires and was a net decrease of 1,551, or 0.6%, from the 259,234 active members who were in the system at the end of 2019.

Within WRS, employees are categorized as “general,” “executive and elected officials,” and “protective” workers such as police and firefighters. The executive and elected group includes legislators, constitutional officers, judges, local elected officials, and certain appointees, according to the [Legislative Fiscal Bureau](#).

From 2020 to 2021, the number of active protective WRS members dropped by 2.2% to 21,937. That represents both the largest single annual decrease of any year within the data, as well as the lowest end-of-year total for protective occupation employees within the WRS since 2005.

Data from the City of Milwaukee and Milwaukee County show a similar story for their workforce. Employees active within the city’s retirement system totaled 10,094 at the end of 2021, a 4.5% net drop from 2020 after accounting for new hires and the lowest total in at least the last decade. Active employees within the county’s main retirement system dropped by an even larger 5.8% after accounting for new hires to just 3,325

employees (the county also maintains a much smaller retirement system for certain temporary and seasonal employees that was not included in our analysis).

The decreases for WRS and the Milwaukee systems could represent job cuts or workers who have left but not yet been replaced.

MORE RETIREMENTS, JOB EXITS

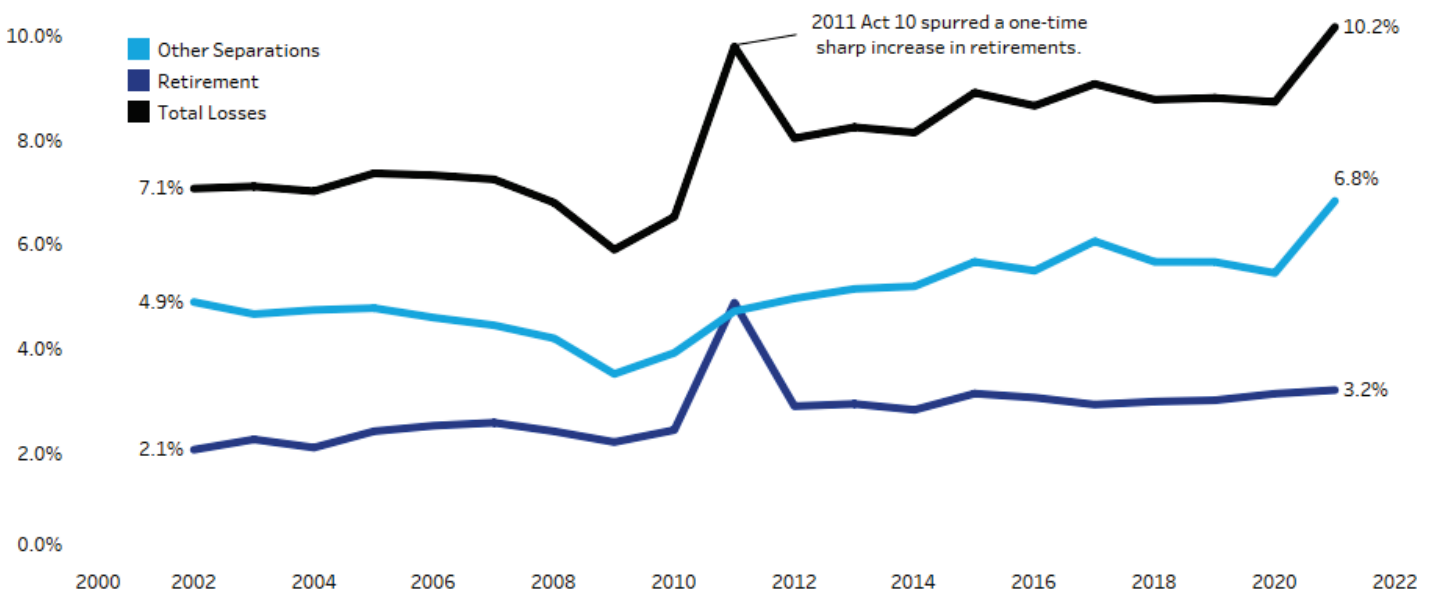
There are various reasons why a member of a retirement system may leave active status, including death or disability. Yet two reasons make up a vast majority of all departures: a normal or early retirement and “other separations,” a term that encompasses those who leave because they choose to take a different job or become unemployed for a variety of reasons.

Across all types of employees, more than 8,100 individuals within WRS retired in both 2020 (8,151) and 2021 (8,303). The only other year since 2002 in which retirement reached that level was in 2011. That year, 12,906 WRS members chose to retire in part in response to the passage of 2011 Wisconsin Act 10 (which eliminated most collective bargaining for most state and local workers).

The higher WRS retirements over the past two years are due, in part, to demographics, as Wisconsin’s workforce

Figure 1: Increase in Worker Departures Spurs Record Turnover

Rate of active members leaving WRS by cause, 2002-2021



Source: Wisconsin Retirement System



is aging and more and more individuals are reaching retirement age. That said, the COVID-19 pandemic and the challenges in labor markets may have boosted retirements and certainly increased other departures.

The 17,646 individuals who left active WRS status due to “other separations” in 2021 were by far the largest in a single year. Combined with a number of other smaller factors such as death and disability, 26,237 WRS members became inactive during 2021 – modestly topping 2011 (25,840) to mark the largest total since at least 2002. The difference between the two years is notable, however. While turnover in 2011 was driven by record retirements, 2021 was marked by workers leaving for other reasons.

To compare years, we calculated a turnover rate by dividing the total number of active members leaving each retirement system over the course of each year by the active member total at the beginning of the year. In 2021, the number of members who left WRS were equal to 10.2% of all active members (see Figure 1 on page 2). That was the highest turnover rate seen since at least 2002.

The city of Milwaukee (14.0%) and Milwaukee County (17.6%) experienced even higher rates of turnover; the rate of departures in 2021 for both pension systems was the highest in at least five years. (It should be noted that a partial contributor to the high turnover rate at Milwaukee County was a decision to outsource behavioral health inpatient services; 83 full-time employees left the Behavioral Health Division in 2021 according to data provided by the county, though we cannot determine how many of those departures were related to outsourcing.)

Though striking, this overall trend should not be surprising. Across the nation and the broader economy in 2021, [individuals were voluntarily leaving their jobs at the highest rate](#) in at least two decades. The reasons put forward by researchers and commentators include near record low unemployment rates, the effects of federal stimulus, pandemic-related burnout, and more or better opportunities in other industries. Public sector employers in Wisconsin seem to have faced these same challenges in retaining their existing employees.

MORE NEW ENTRANTS TO SYSTEM

WRS, along with the City of Milwaukee and Milwaukee County, also track the age and years of service of their

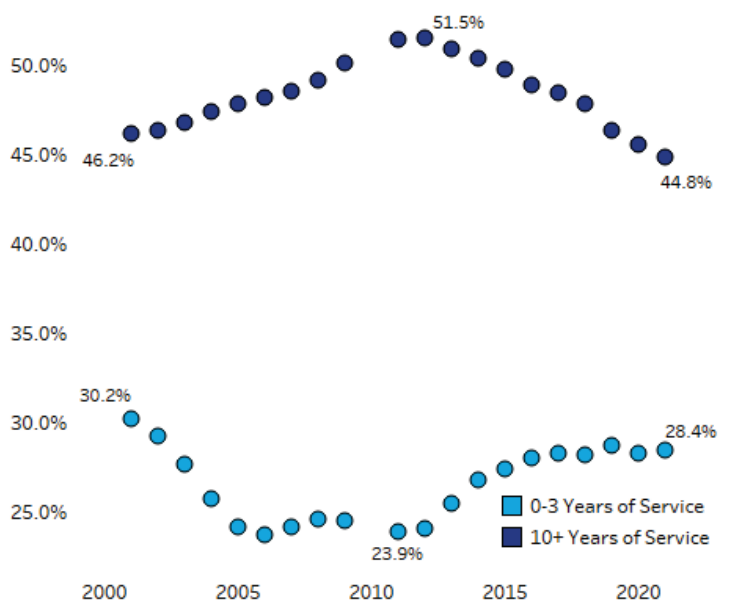
active members. According to WRS data, their active members have been getting younger and less experienced over the last decade. We look at just general employees in this section, excluding elected, executive, and protective members.

The average age of all general active WRS members in 2021 was 44.6 years old. That is the youngest average age since 2003, and more than a year less than a peak age of 46.0 years old in 2010. Additionally, the average general employee in WRS had 11.1 years of service in 2021 – the least since 2001 (the earliest available year) and a year lower than a peak of 12.1 years in 2010. Though in a sense modest, this shift is notable because it is spread across more than 200,000 state and local workers.

In 2021, for example, there were 80,865 general WRS members with at least 15 years of service – the lowest total since 2003 and a notable drop from the 86,986 in the system just five years prior. Only 44.8% of active WRS members had at least 10 years of service by the end of 2021 – the lowest share of any year in the data (see Figure 2). Between 2009 and 2014, a majority of general WRS active members had at least a decade of experience.

Typically, less experienced workers are being hired as replacements. In 2021, there were 73,274 active general WRS members with three years of experience or

Figure 2: Less Experience, More New Entrants to WRS
 Makeup of active WRS participants by years of service, 2001-2021*



Source: Wisconsin Retirement System. *Data unavailable for 2010.



less, the second-highest total of any year (behind 2019) since 2002. Since 2011, the share of active general WRS members with three or fewer years of service has increased from 23.9% to 28.4%, though it remains somewhat lower than it was in 2002.

CONCLUSION

Given the state's aging workforce and tight labor market, these trends are to some degree inevitable and may not be bad in every respect. Younger workers, for example, are typically less costly for public employers and taxpayers because they start at lower salaries. They also may be more familiar with new technology and more willing to adjust to new approaches to doing their jobs.

At the same time, however, the rise in turnover rates for public employers represents an additional cost in terms of recruitment, training, and disruption, and the loss of experienced employees could affect the quality of services delivered, particularly when it is difficult to hire replacements.

K-12 schools are likely affected by this challenge. Though the WRS data on general employees do not break out K-12 workers from other local employees, higher turnover among teachers would likely be needed to produce these higher overall rates given that teachers make up a large share of WRS members. Unlike for other local public employees such as police, solid statewide data on teachers is available from the state Department of Public Instruction and we hope to analyze it in the coming months to see to what degree teacher turnover rates have in fact risen.

Ultimately, the quality of public services in Wisconsin is a function of the people delivering them; for that reason, state and local officials have good reasons to watch these trends. Moreover, if active workers continue to leave the public sector at high rates, that could put pressure on elected leaders to raise public salaries and, ultimately, put further pressure on government budgets.

To cope with higher turnover, public officials could consider a number of options in addition to increased pay, including providing more flexible workplaces and working conditions. Worker shortages also may encourage a greater use of new technology, service sharing arrangements between neighboring

governments, and perhaps greater use of private contractors.

Given the state's aging and shrinking workforce, both the public and private sectors in Wisconsin will continue to face labor challenges. Yet, the importance of positions like police officers, paramedics, and teachers may require a particularly thoughtful and urgent public sector response.

