



## Comparing Wisconsin to Other States in the Ratio of Manufacturing to Government Jobs

A recent report (*Wisconsin Jobs 2010*) by Wisconsin Manufacturers and Commerce (WMC) bemoans the fact that late in 2009 the number of manufacturing jobs in Wisconsin fell below the number of government jobs. The report seems to imply that having a fewer jobs in manufacturing than government “for the first time in state history” hurts the state economically and reflects badly on Wisconsin’s business climate, relative to other states. That led us to wonder how Wisconsin compares with the rest of the nation in the ratio of manufacturing to government jobs, so we examined that data from 1990 through 2009.

### We’re #1 – in Manufacturing Jobs

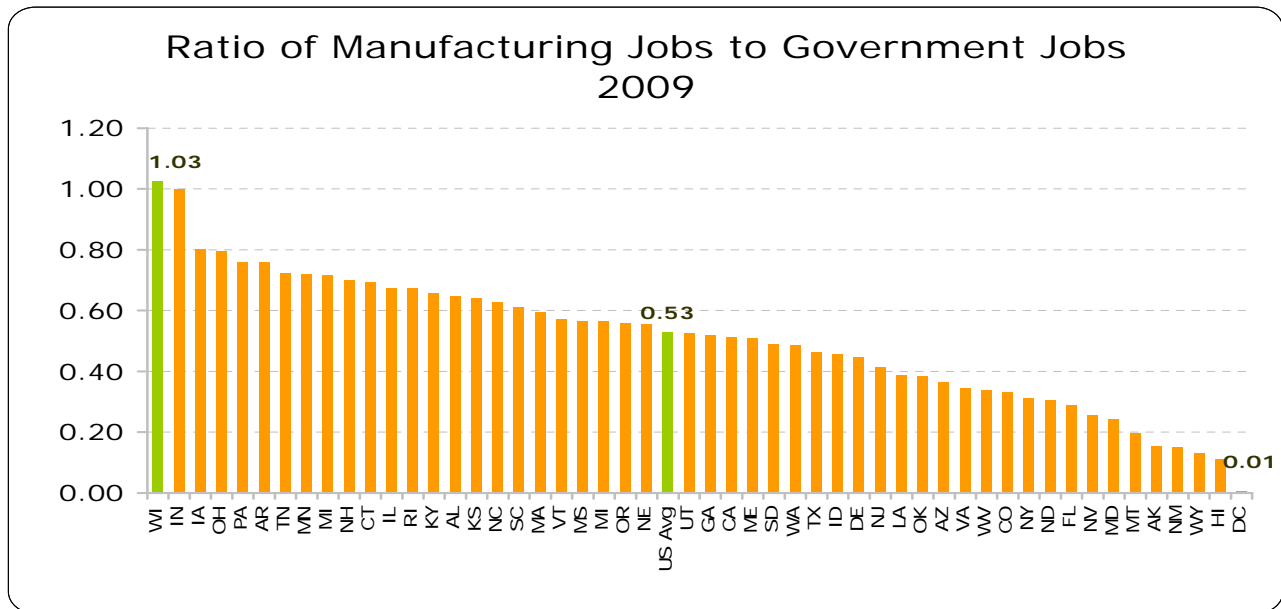
Our analysis of the 2009 employment data found that Wisconsin had the highest percentage of its workforce in manufacturing among all states (barely ahead of Indiana). Moreover, our state had the highest ratio of manufacturing to

public sector jobs – 1.03 to 1, and was the only state in 2009 with a ratio greater than 1.0. As the bar graph illustrates, Indiana fell just short of a 1.0 ratio, and the other 48 states all had at least 20 percent fewer manufacturing jobs than government jobs. Wisconsin’s ratio was almost twice the national average of just 0.53 jobs in manufacturing for each government job.

**Table 1: Change in the Ratio Since 1990**

	1990	2009	% change
<b>U.S.</b>	0.96	0.53	-45%
<b>WI</b>	1.53	1.03	-33%

We examined the job sector trends in Wisconsin and nationally for each year from 1990. Not surprisingly, we found that there has been a significant drop in manufacturing jobs in Wisconsin and in the U.S. as a whole. However, at no time in the last 20 years has the national ratio of manufacturing to employment jobs been higher than it currently is in Wisconsin. Table 1



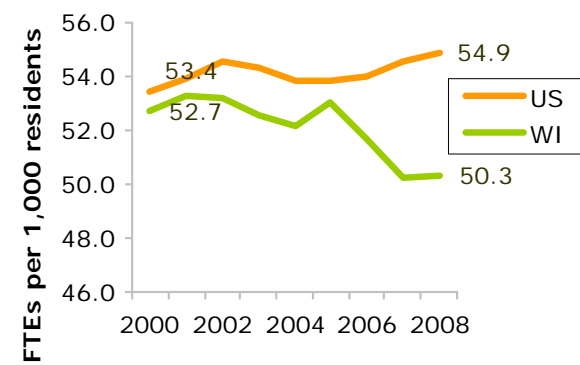
Source: Wisconsin Budget Project analysis of Bureau of Labor Statistics data

illustrates that the ratio dropped 45% nationally since 1990, compared to 33% in Wisconsin.

### Public Sector Employment

Someone might infer from the WMC report that the drop in the ratio of manufacturing to government jobs in Wisconsin – to a point where it dipped below 1.0 for at least a few months – reflects a large and growing number of public sector jobs in Wisconsin. We analyzed the most recent U.S. Census Bureau data on government employment, which is from 2008. As Figure 2 illustrates, Wisconsin actually has a relatively lean public sector. The chart shows that government employment across the U.S. has grown slightly since 2000, but has declined in Wisconsin.

Figure 2: Number of State and Local Employees



In 2008, Wisconsin was 8.2 percent below the national average in the number of state and local employees for every 1,000 state residents. Only 9 other states had fewer public employees, measured relative to the state's population.

### Corporate taxes

The WMC report suggests that Wisconsin taxes create a negative business climate for manufacturers in the state. We'll take a closer look at the tax issue at a future date, but for now will simply reference a March 2010 study by Ernst & Young in conjunction with the Council on State Taxes, a trade association made up of major corporations. Their study found the following:

- Total business taxes of all sorts comprised 4.6% of gross state product in Wisconsin,

compared to a national average of 4.7 percent.

- Wisconsin ranked 30<sup>th</sup> among the states in terms of state and local taxes paid by businesses, measured as a percentage of gross state product.

### Conclusion

Manufacturing has long been a very important part of the Wisconsin economy, and none of us wants to see it decline. However, if having more manufacturing jobs than public sector jobs is an important objective, then it appears the focus should be on U.S. economic and trade policy, since the ratio of manufacturing to government jobs has been much lower and falling faster at the national level compared to Wisconsin.

An objective analysis of the job sector data reveals the following:

- Wisconsin and Indiana have a larger percentage of their total jobs in manufacturing than any other states.
- The size of Wisconsin's public sector workforce is 8.2% below average, relative to the state population.
- In 2009 Wisconsin was the only state with more manufacturing jobs than government jobs.
- At no time in the last 20 years has the national ratio of manufacturing to government jobs exceeded the current ratio in Wisconsin.
- That ratio was almost twice as high in Wisconsin last year as it was nationally.

Whether the ratio of manufacturing to government jobs is a good measure of a state's economic health and competitiveness is beyond the scope of this short paper. But if it is a useful gauge of a state's economic vitality, then WMC and the rest of us should all celebrate the fact that Wisconsin is #1 and is far above most other states.

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