

The Wisconsin Workforce

DEFINING CHALLENGES AHEAD

► A lack of participation?

Recent reports from Forward Analytics have highlighted the many demographic challenges facing Wisconsin now and into the future. These challenges include slowing population growth, declining fertility rates and reduced migration into the state caused partly by Wisconsin's struggle to attract and retain younger people. These issues are affecting the size of Wisconsin's workforce today and, if not addressed, will create more serious worker shortages over the next decade. Here, we explore another emerging threat to the state's labor force: declining workforce participation among some age groups.

The labor force consists of all civilian, non-institutionalized residents ages 16 or older who are employed or are unemployed and searching for work. Between 2000 and 2021, this population in Wisconsin increased by 16.9%. However, during that same period, the labor force grew just 6.7%, from 2.94 million to 3.13 million. In other words, the share of the state population choosing to participate in the labor market (the labor force participation rate or LFPR) is shrinking.

During 2000 to 2021, Wisconsin's LFPR declined from 72.8% to 66.5%. How does that translate into workers? If Wisconsin's LFPR in 2021 was that same as in 2000, the state would have an additional 299,000 workers.

► How has the labor force changed?

To understand this broad decline, we need to look more closely at the size of various age groups and their participation rates. One important factor in the overall LFPR decline is the large baby boom generation aging past 65 and leaving the workforce. That will continue as the

younger baby boomers age past 65 over the next six years. Those aged 65 or older typically engage in the workforce at a much lower rate than their younger counterparts. Historically, their participation rate is 15% or less. Coupling that lower participation with the populous generation currently aging past 65 has helped drive the overall rate lower. The silver lining is that the current 65 and above age group is participating more than in years past.

While the overall participation fell partly due to the aging of the baby boomers, a second factor in the decline is more concerning — participation rates are falling among middle-aged and younger residents. Each of the four age groups from 20-54 had lower participation rates in 2021 compared to 2000 (see table on page 35), with declines ranging from 2.7 to 4.4 percentage points. Among those aged 55-64, participation was higher than in 2000 but has declined since 2010.

► Why are people leaving the labor force?

To further understand why some age groups are dropping out of the labor force, an examination by gender is appropriate. Since 2000, the LFPR for women has decreased 6.6 percentage points while the rate for men has declined 5.9 points. Most recently, from 2010 through 2021, the decline has been less pronounced in men (-1.9 percentage points) compared to women (-3.9 percentage points).

Over the past two decades, the LFPR for women of nearly every age group has declined, with the most significant drops in the 45-54 age group (-5.1 percentage points) and the 35-44 age group (-5.0 percentage points). Among women aged 20-34, declines were much smaller

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at less than two percentage points. The only age group in which women are participating more in the labor force now compared to 2000 is the 55-64 aged cohort. This group saw a LFPR increase of 4.1 percentage points.

LFPR changes among men differed somewhat. Like their female counterparts, participation increased among those aged 55-64. However, participation rates among male residents aged 45-54 were nearly unchanged, falling just 0.3 points. More concerning is the 6.2 percentage point decline in labor force participation since 2000 by men ages 20-24 and declines of more than three percentage points among those 25-44 years of age.

► Why are people leaving the labor force?

One of the biggest drivers of the decline in the labor force is the drop in the 35-44 age group. This drop is dominated by women leaving the workforce. The median age of women having their first child has been increasing for decades. According to some studies, the median age is now 30, meaning many women in the 35-44 age group have school-age children at home. This group may be opting to leave the

workforce in larger numbers for family reasons, the inability to find a child care opening, or due to the rising cost of child care, which can be upwards of \$12,000 per year in Wisconsin.

Another, more recent phenomenon that has reduced the labor force participation rate both in Wisconsin and nationally is the COVID-19 pandemic and its aftereffects. A recent National Bureau of Economic Research working paper suggested that the COVID-19 illness reduced the U.S. labor force participation rate by around 0.2%. This decline would be more pronounced in areas, or within age groups, hit hardest by the pandemic. Additionally, work absences from COVID-19 were found to have reduced labor earnings for absent workers by around \$9,000 over a 14-month period. That loss of income combined with higher child care costs may further add to the financial incentive to remain out of the labor force.

Finally, the rise of opioid substance abuse has led to a decline in the labor force as well. A recent working paper from the Federal Reserve Bank of Cleveland found that due to rising opioid prescriptions between 2000 and 2016, the labor force participation rate for men declined



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between 0.6 and 1.7 percentage points, and between 0.5 and 0.7 percentage points for women.

► **Looking forward**

Looking to the future, the share of the population choosing to participate in the workforce looks even more grim. In 2030, the size of the working-age population will increase by about 200,000. However, 27% of them will be over age 65. The number of residents ages 25-64 (the prime-aged workforce) will likely decline by about 130,000.

If the LFPR for each age group remains constant at 2021 levels, in 2030, the labor force will be about the same size as it was in 2021. The size of the 25-to-64-aged workforce will shrink by about 111,000. The decline will come primarily from the cohorts aged 25-34 and 55-64. While the prime working-age population shrinks, the 65 or older workforce will likely grow by 68,000.

By 2030, the effects of the opioid abuse epidemic and the COVID-19 pandemic on the workforce may begin to even out. Yet, new trends will continue to challenge the workforce. For example, the reduction in the younger generations of the labor force combined with the increase

LABOR FORCE PARTICIPATION % RATE

AGE RANGE	2000	2010	2021
20-24	86.5	81.1	82.2
25-34	88.4	86.7	85.5
35-44	91.7	88.6	87.3
45-54	87.5	87.1	84.8
55-64	63	70.9	67.6
65+	14.4	17.4	20.1
TOTAL	72.8	69.4	66.5
25-64	85	83.6	80.7

in the population aged 65 and older will undoubtedly force employers to provide additional accommodations. Wisconsin businesses and legislators will need to address such labor force issues head on if they wish to see the state succeed in the next decade. ■

Forward Analytics is a Wisconsin-based research organization that provides state and local policymakers with nonpartisan analysis of issues affecting the state.

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