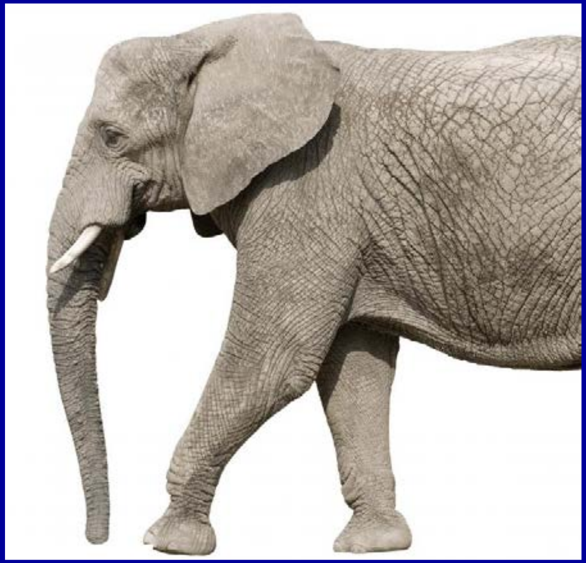
The 800 lb. elephant* in the room

*that no one sees



Or, Wisconsin demography: On collision course with destiny?

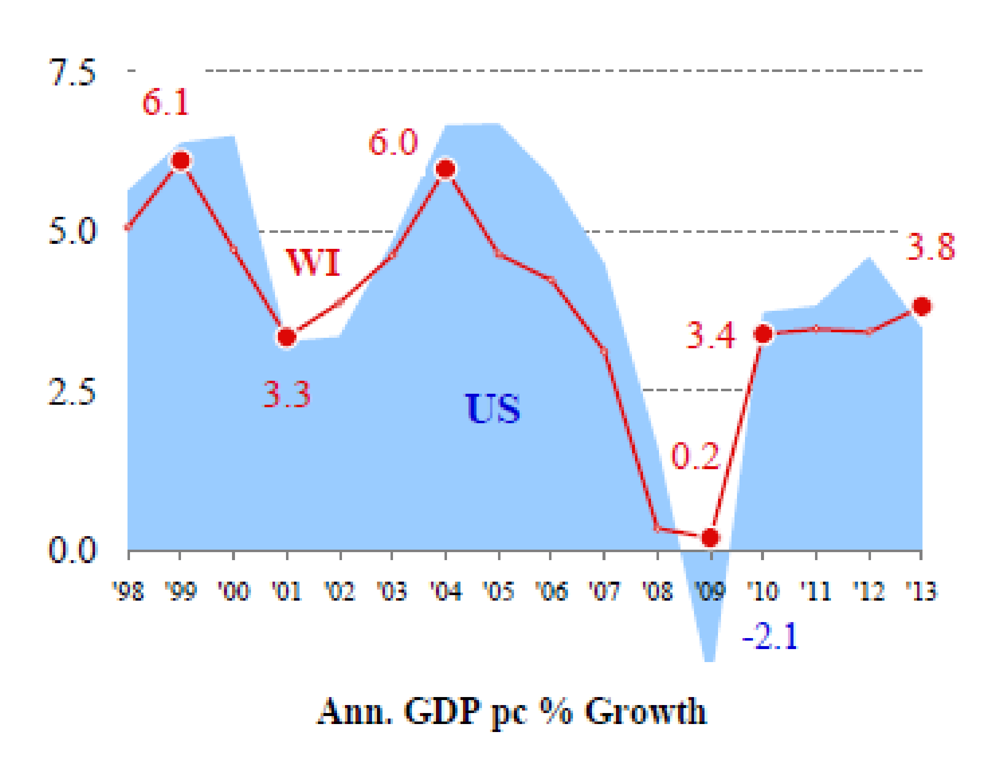
UW Board of Regents ▪ 11.06.2014

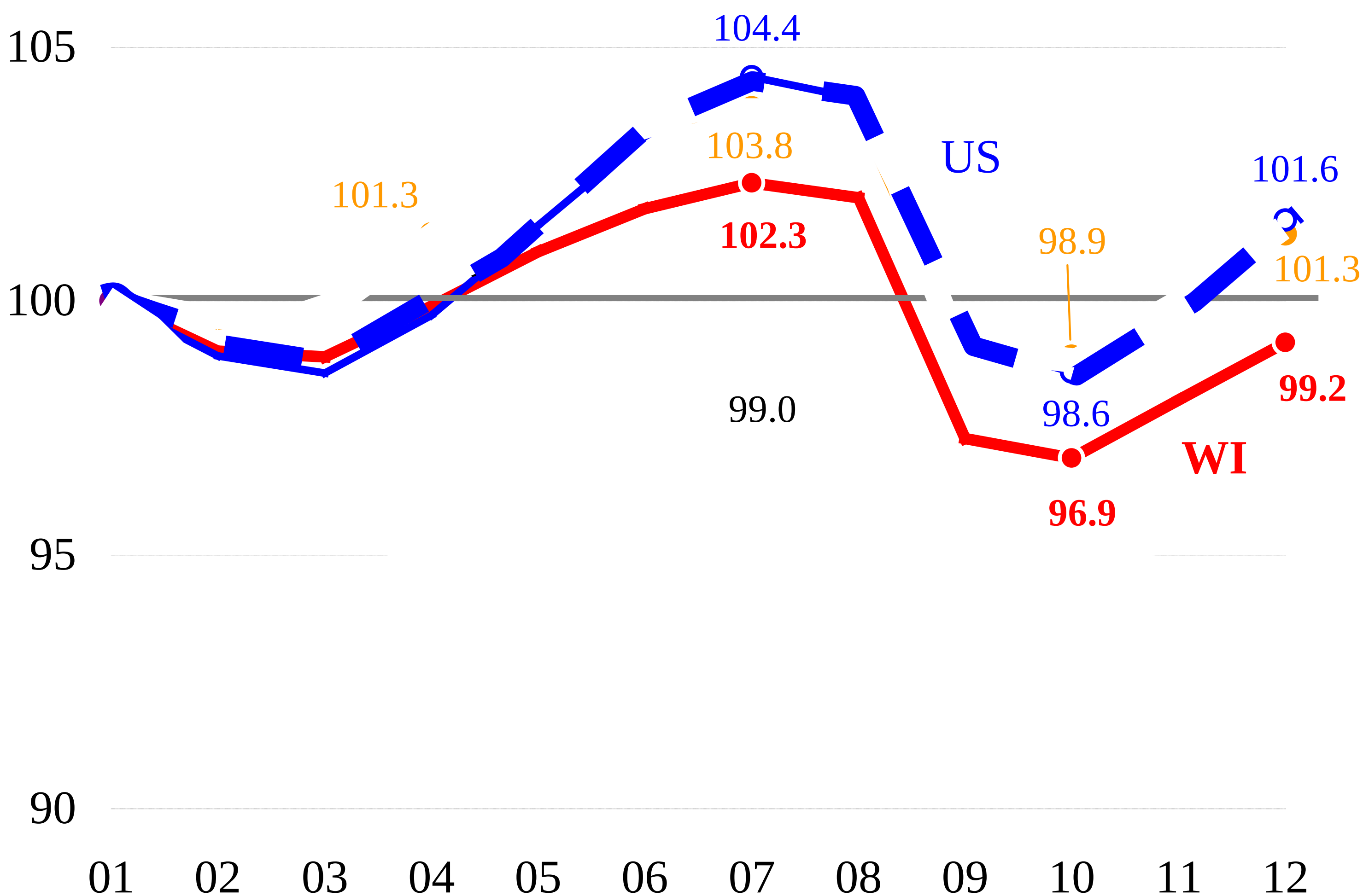
Overview

- Motivation
- Brief economic backdrop
- Demography: What? Why? Looking back.
- Recent state population forecasts (2010-40)
- Implications? Possible actions?
- A few brief words about WISTAX

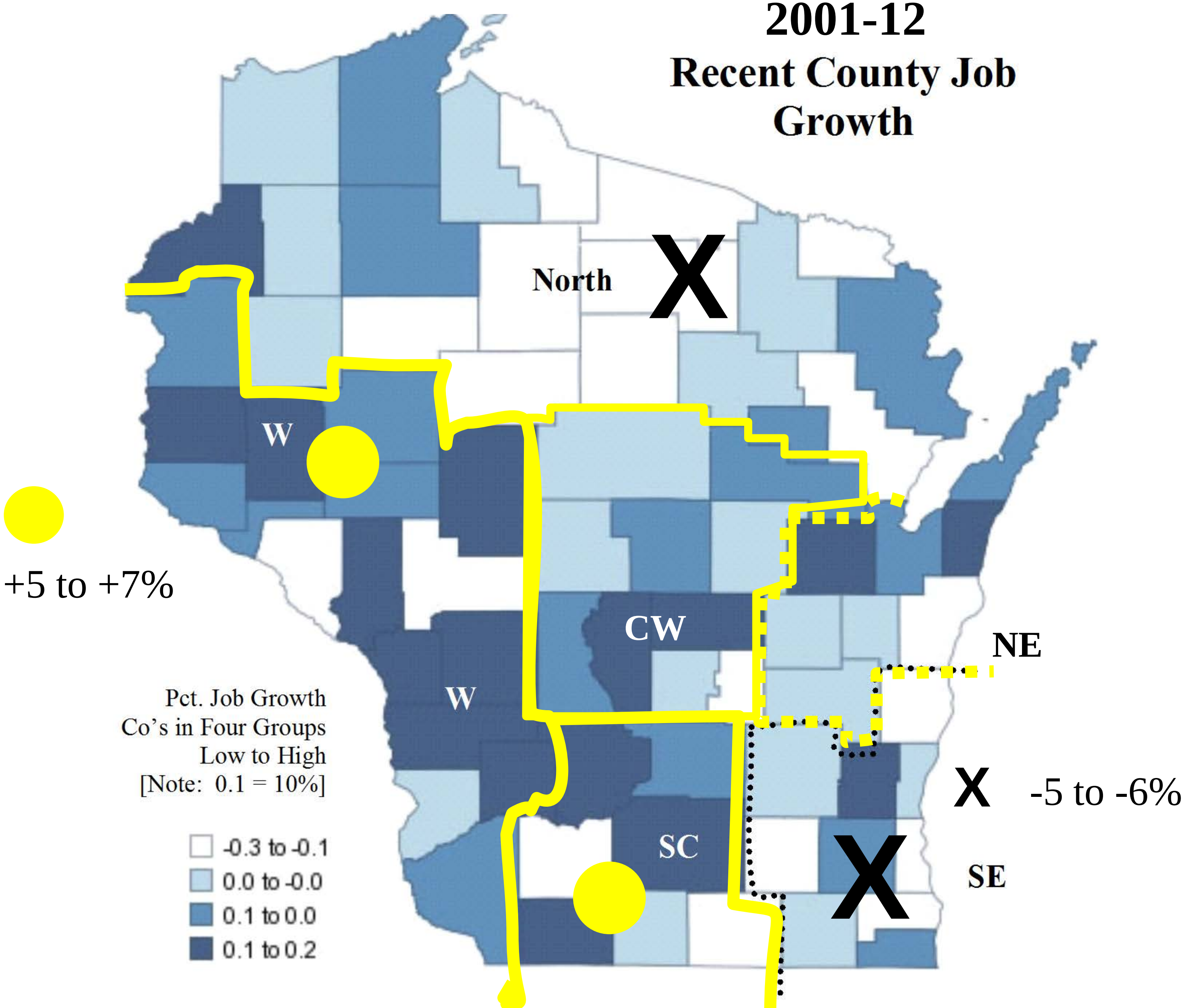
Backdrop: Econ. news not new



More than one Wisconsin



2001-12
Recent County Job Growth

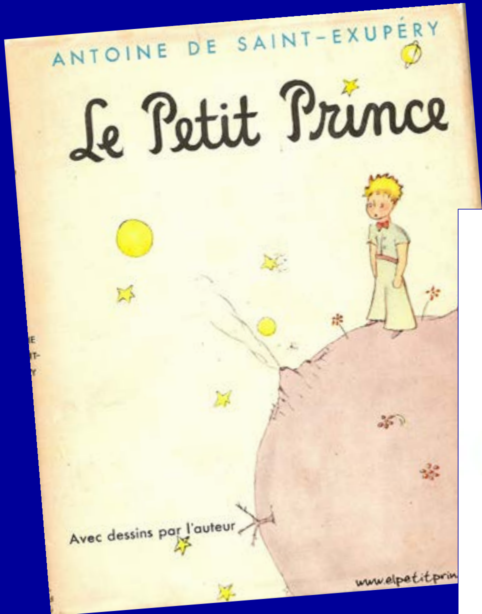


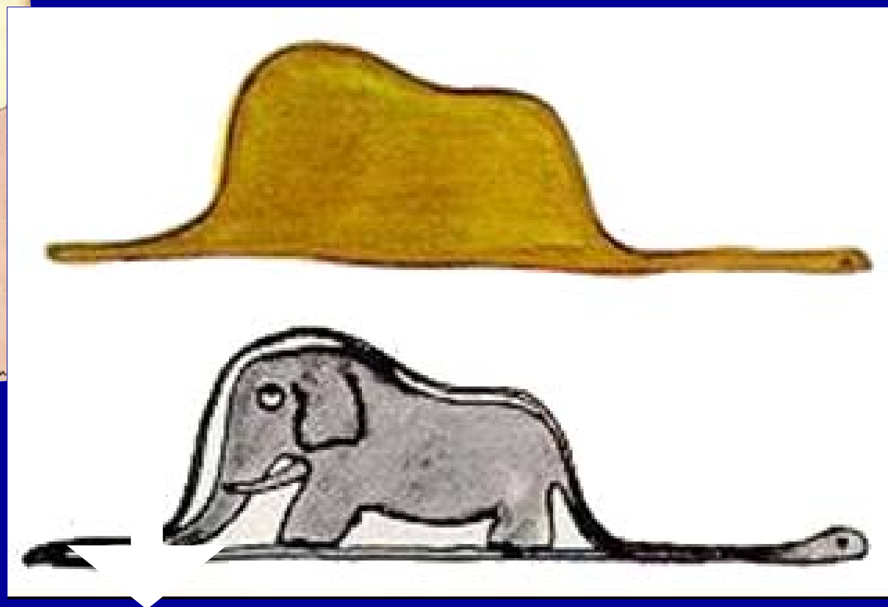
de-mog-ra-phy (n.) \di-mä-grə-fē\

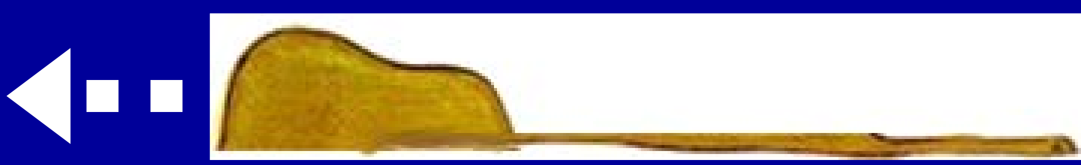
1. The study of population changes

2. **Economic destiny**



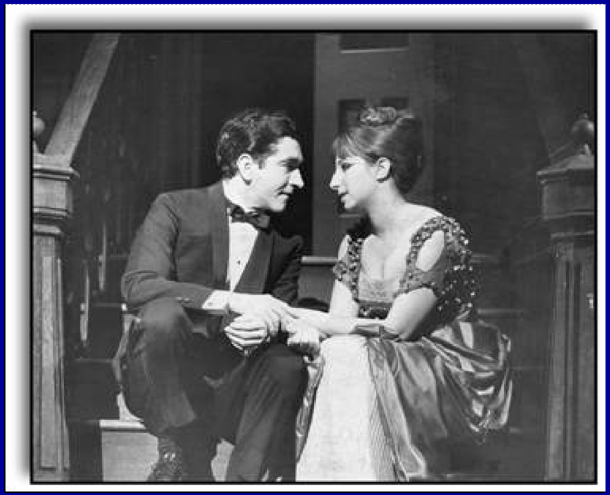
Preview (for visually inclined)





Mnemonic

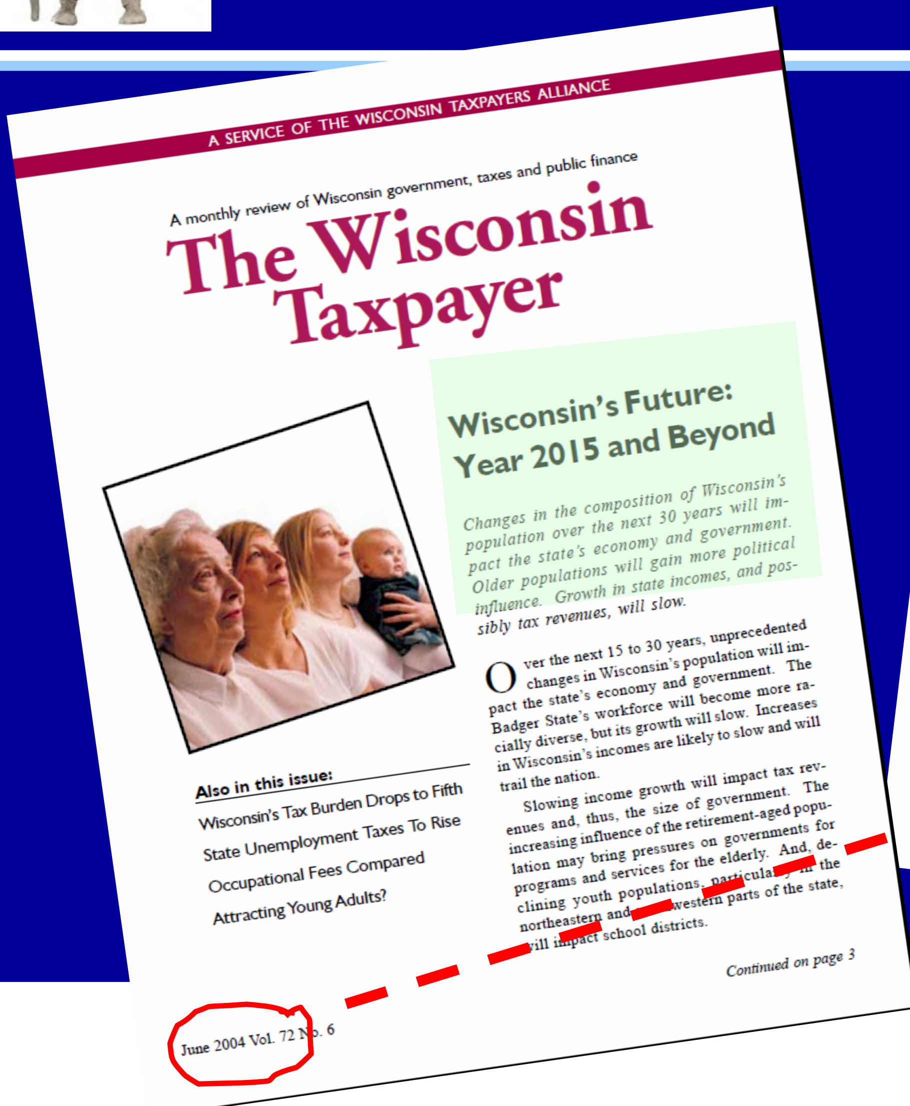


People.

People, we'll **need**

People.

Demography: This is not a surprise



A SERVICE OF THE WISCONSIN TAXPAYERS ALLIANCE

A monthly review of Wisconsin government, taxes and public finance

The Wisconsin Taxpayer

Wisconsin's Future: Year 2015 and Beyond

Changes in the composition of Wisconsin's population over the next 30 years will impact the state's economy and government. Older populations will gain more political influence. Growth in state incomes, and possibly tax revenues, will slow.

Over the next 15 to 30 years, unprecedented changes in Wisconsin's population will impact the state's economy and government. The Badger State's workforce will become more racially diverse, but its growth will slow. Increases in Wisconsin's incomes are likely to slow and will trail the nation.

Slowing income growth will impact tax revenues and, thus, the size of government. The increasing influence of the retirement-aged population may bring pressures on governments for programs and services for the elderly. And, declining youth populations, particularly in the northeastern and western parts of the state, will impact school districts.

Continued on page 3

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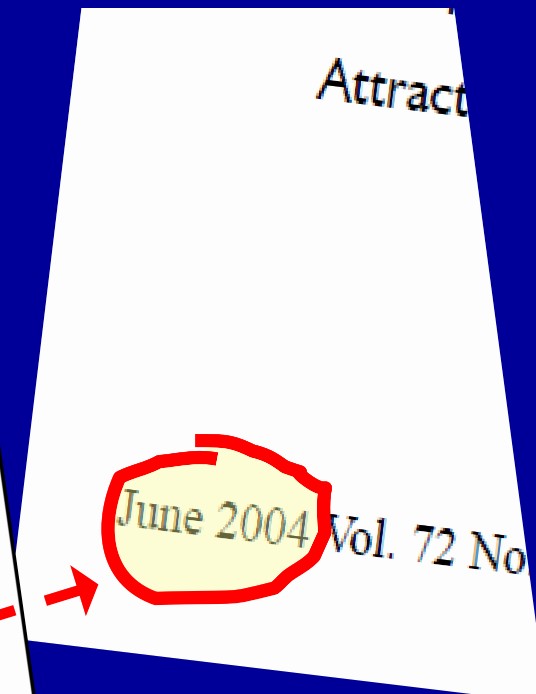


"Wisconsin in on the cusp of an **unprecedented** period of workforce change.

The situation is **inevitable** and the outcome poses enormous challenges for the state economy.

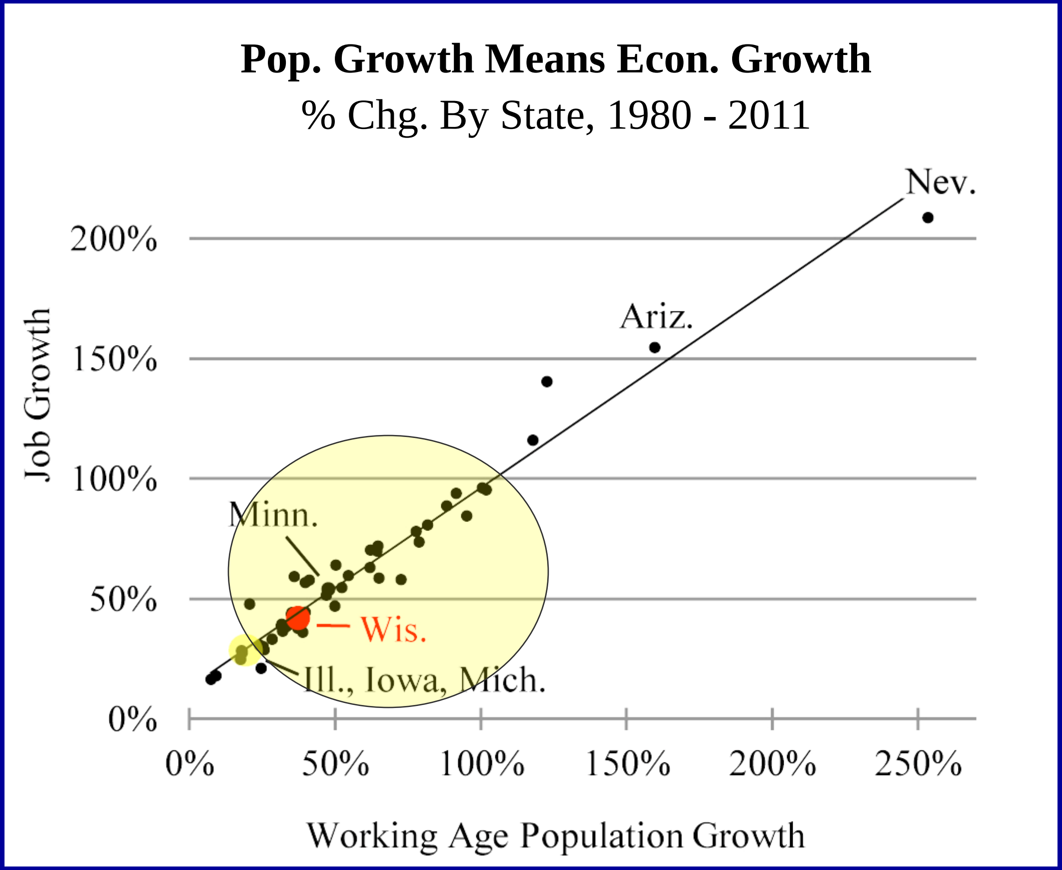
The shifting demographics and the effects on Wisconsin's workforce and economy cannot be **overstated**."

— Office of Economic Advisors, DWD 12.2009

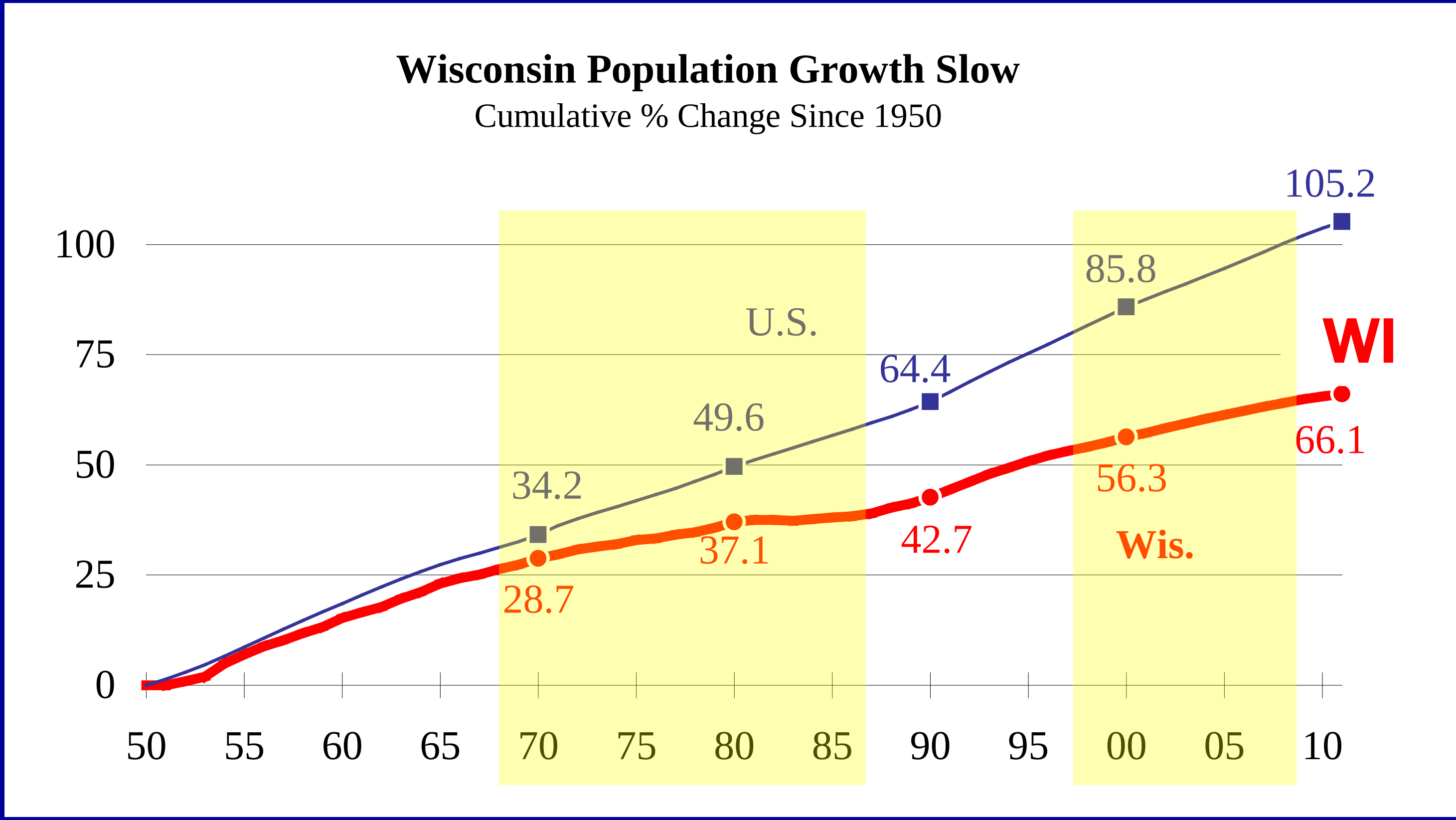
The economic impact of people

- Economy grows as population grows
- New workers form households and . . .
- Consumer demand grows, multiplies
- Kids "fuel" schools, universities
- Educated young minds create, innovate
- Transfer tech; create new firms (= jobs!)

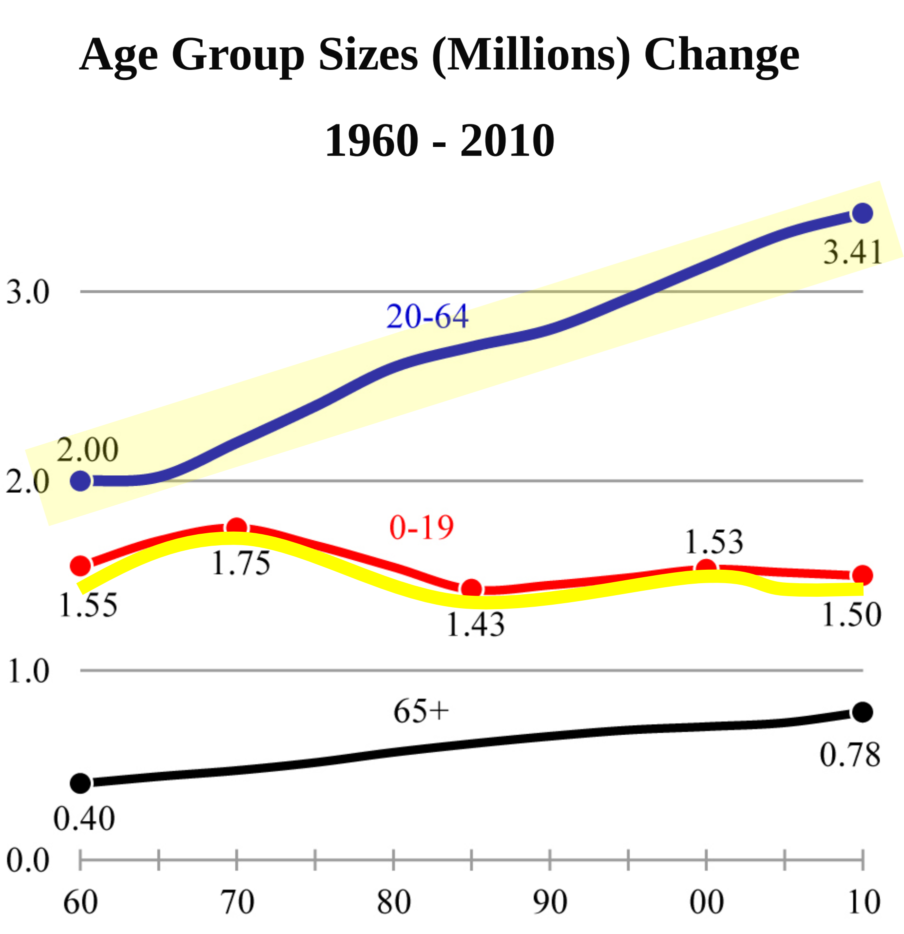
Population growth spurs – growth!



Past pop. growth: US vs. Wis.

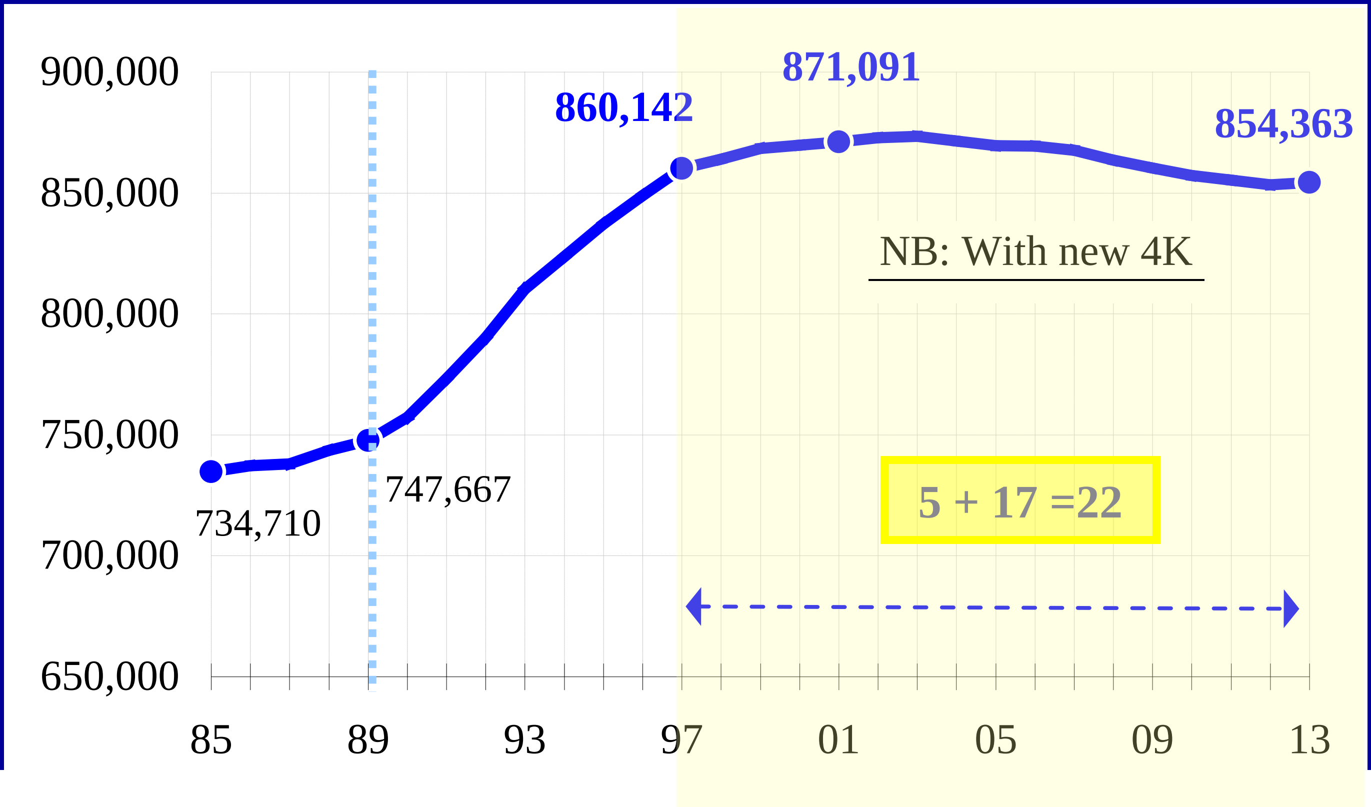


Wisconsin's past – age by group

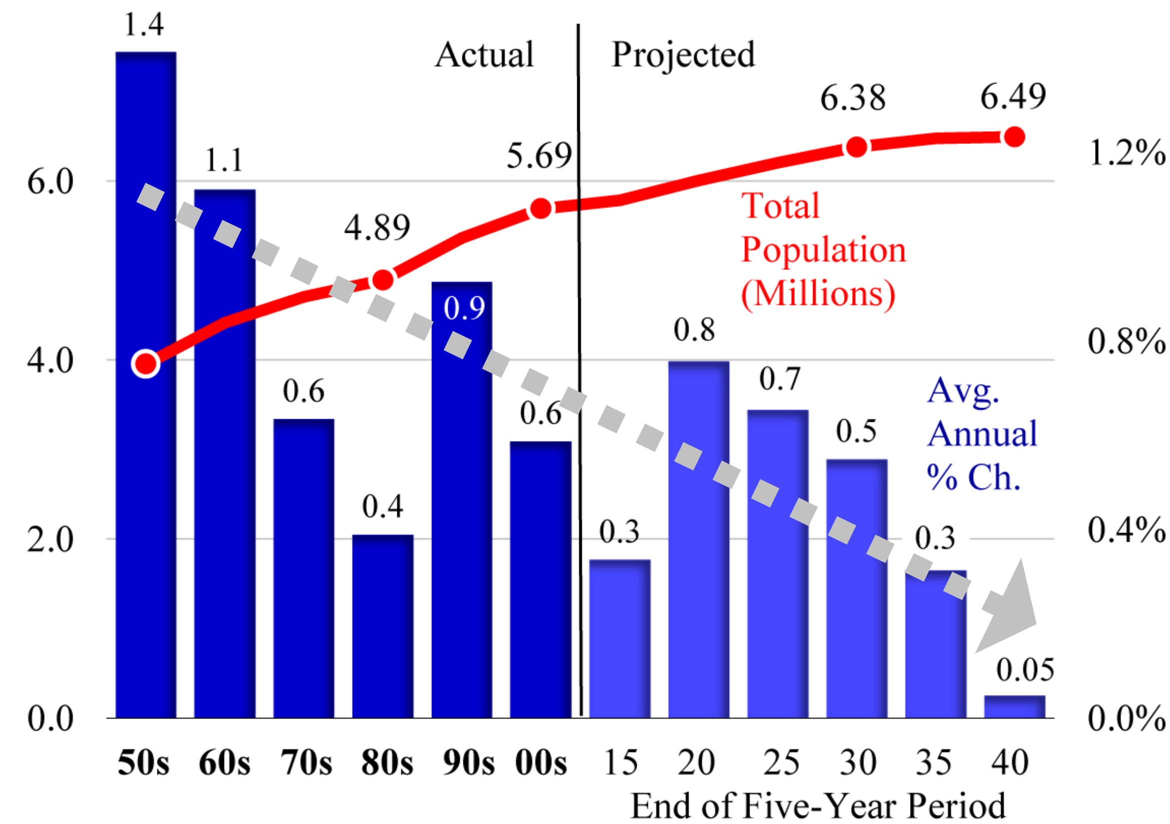



Long time coming! (Did we notice?)

Wis. K-12 Public School Enrollment

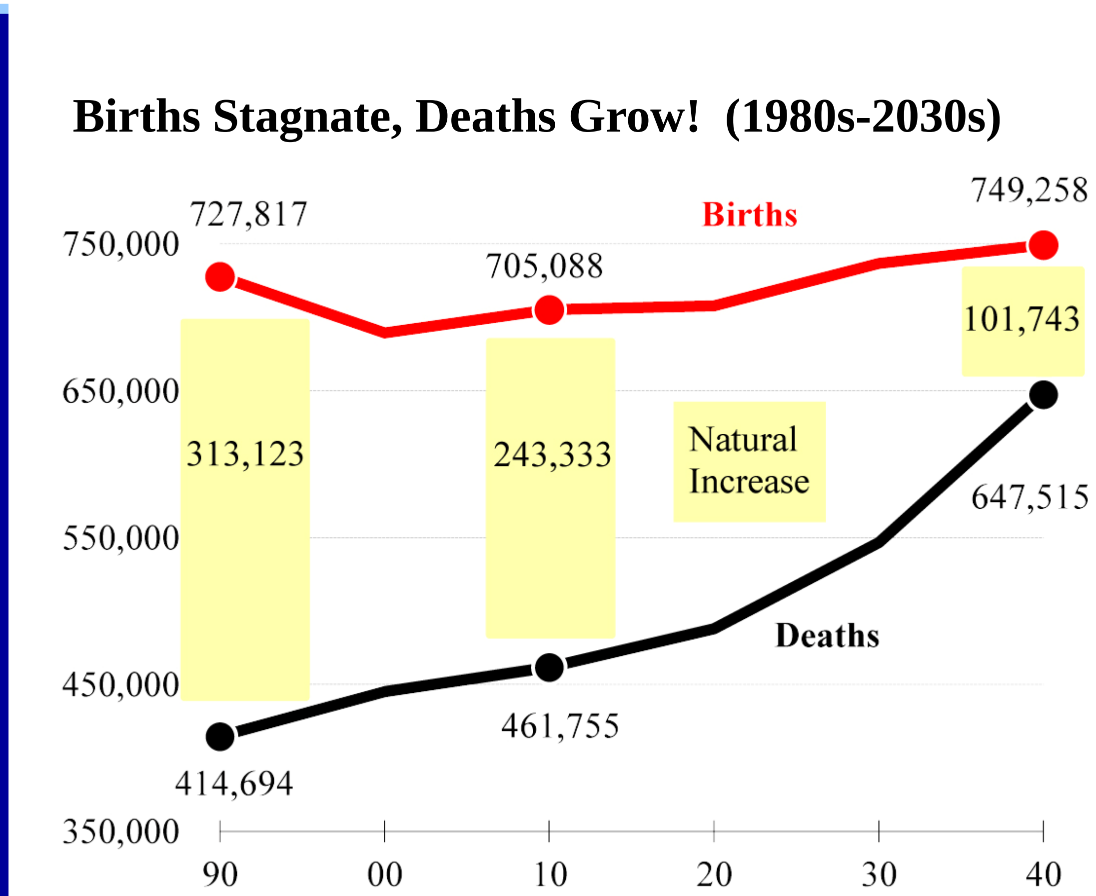


What's ahead? (State Pop. Proj. to 2040)



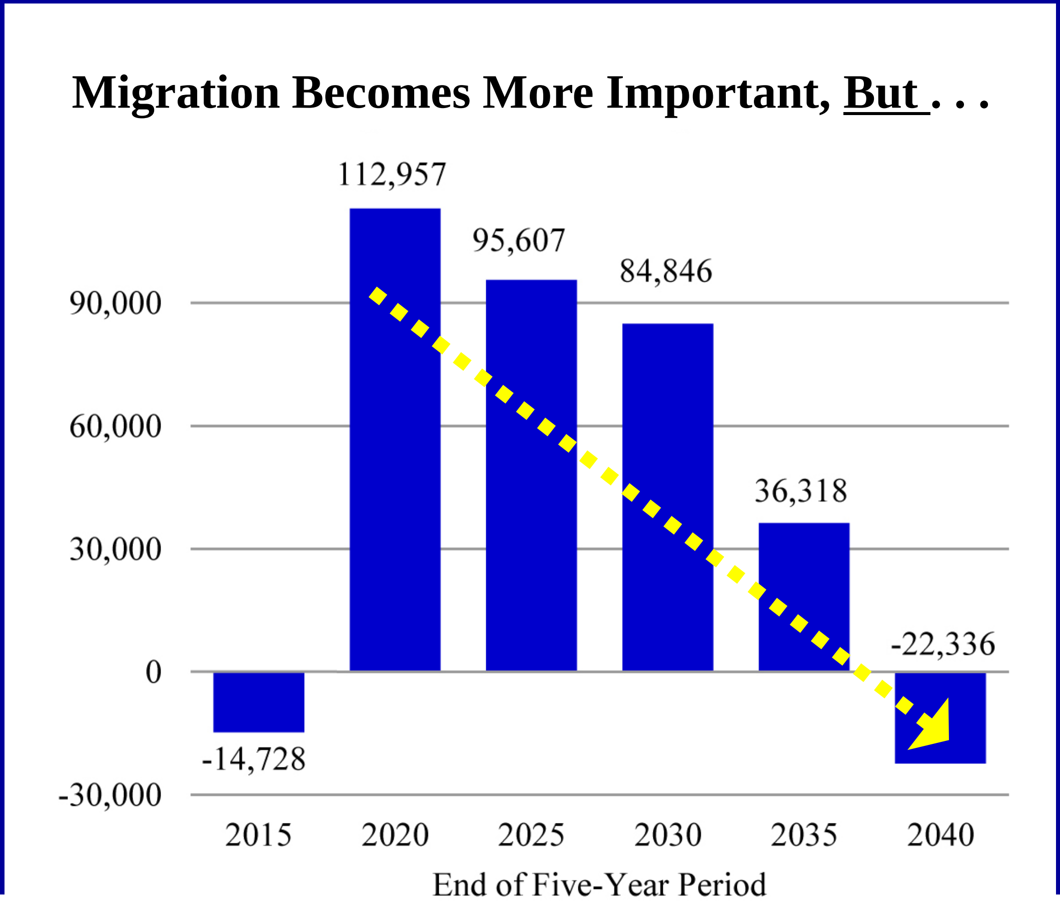
Faucet dripping, drain rushing

1.75



1.16

Less natural growth, more migration?



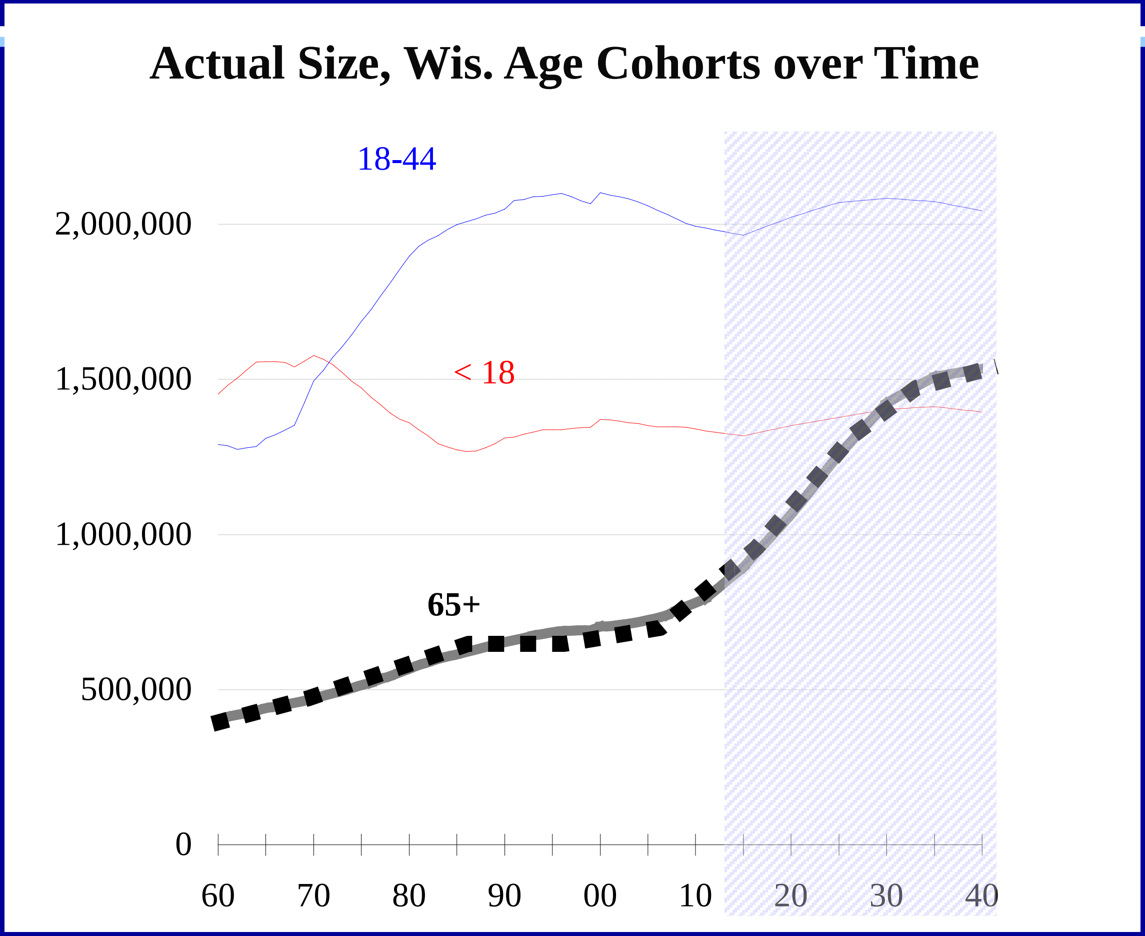
wis tax


Digging deeper: Labor force freeze

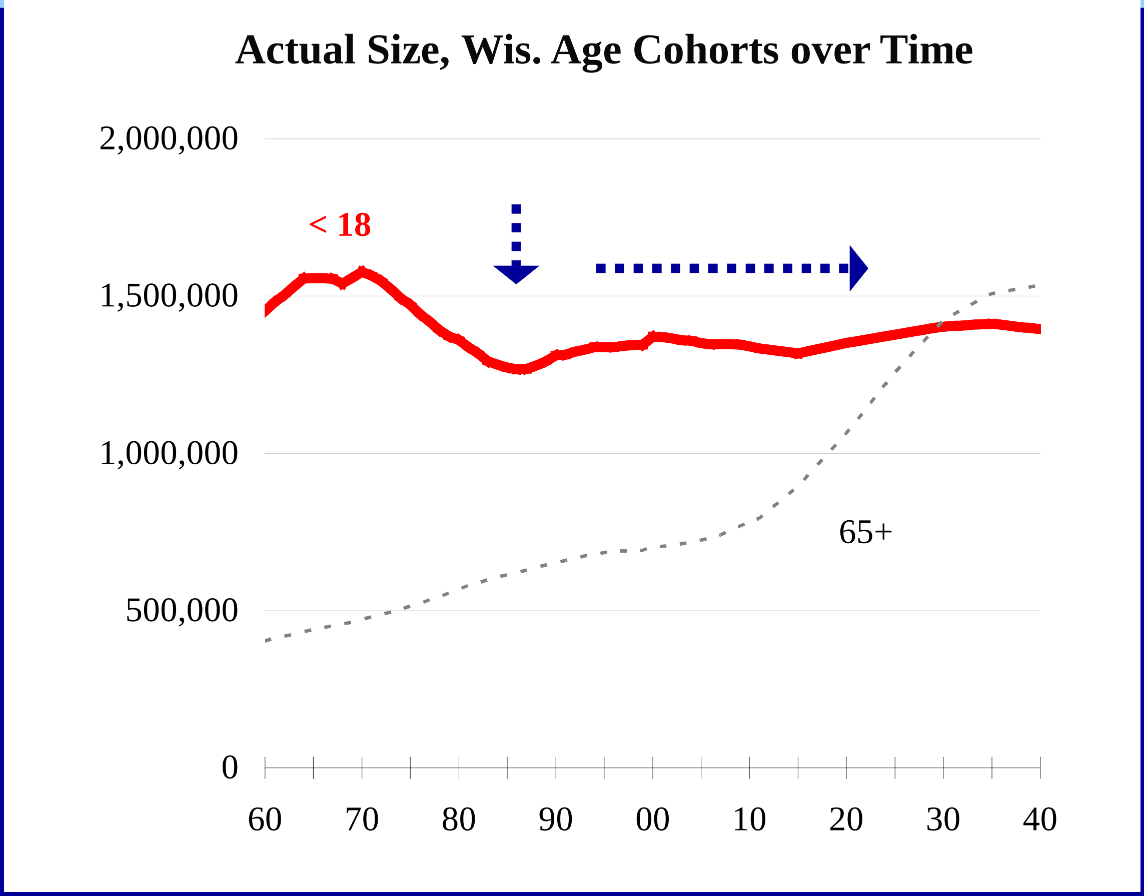
	2010	2020	2030	2040	% Chg.
0-24	**1.89** *	**1.88**	**1.95**	**1.95**	**3.0%**
25-64	3.02	3.06	3.00	3.01	-0.3%
65 & over	0.78	1.06	1.42	1.54	97.5%
Total	5.69	6.01	6.38	6.49	14.1%
Working/ Dependent	1.13	1.04	0.89	0.87	

*Workers (mill.)

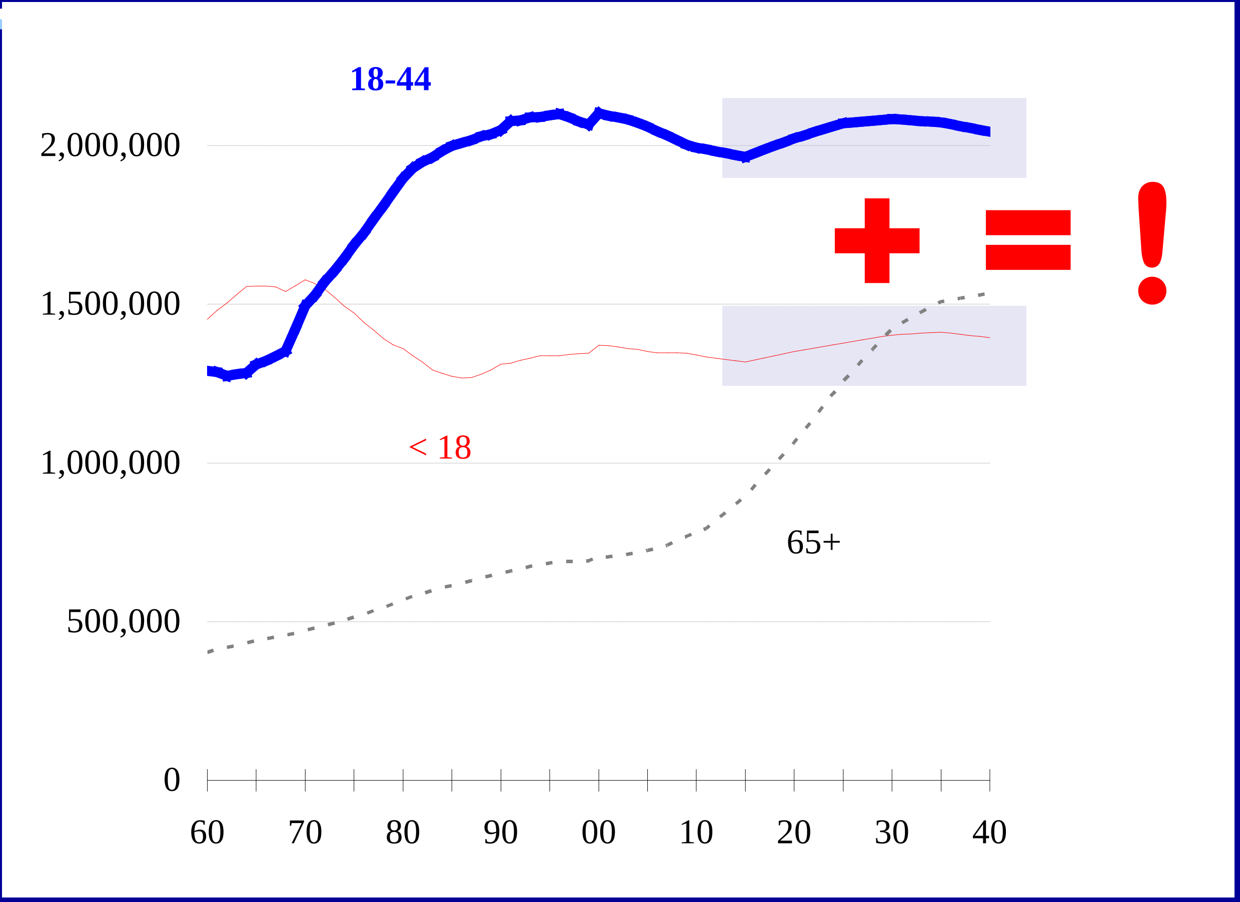
The long haul, 1960 – 2040 (Seniors)



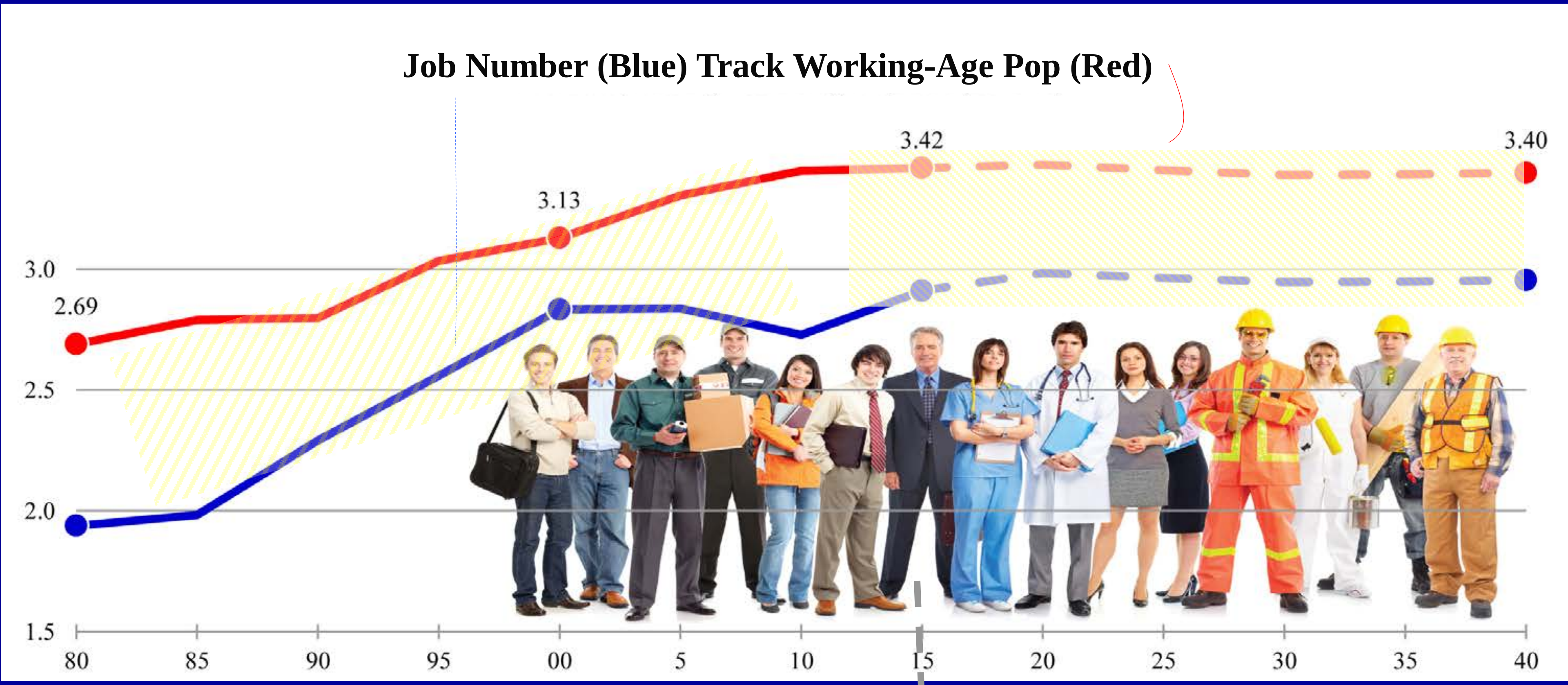
The past & future workforce



Future workforce growth? Flat?



No job creation, without bodies?

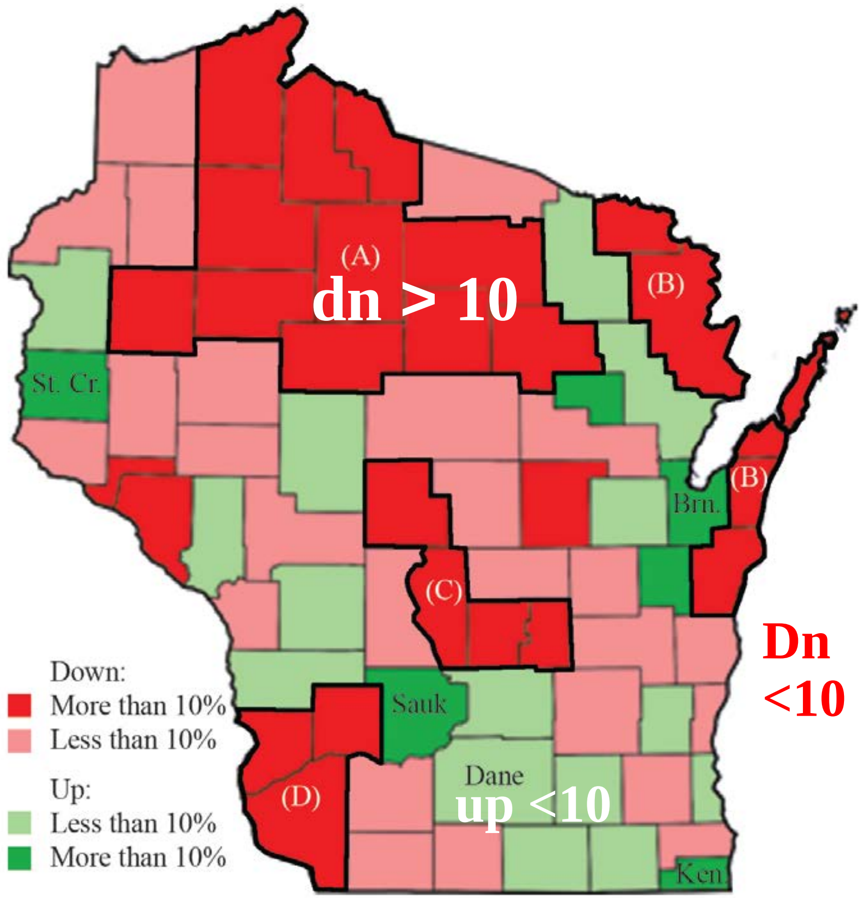


Local trends?

up >10

Growth or Decline 2015-40
Labor Force Cohort 25-64



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Implications? For the economy

- Less household formation: consumer durables, housing market
- Shifting consumer behavior to reflect older pop.
- No-growth workforce: wages/personal income, savings/investment
- Labor demand: Wages bid up; tech. replaces labor
- Firm location based on trained labor availability

wis tax

 

Implications for government

- Greater demand for geriatric social services,
  nursing care vs. child care, education
- People shortage in labor-intensive sector,
  greater wage competition
- Slower sales tax growth: Diff. consumer profile,
  and exemption structure
- Income tax, too: Flat labor force (vs. incr. wages?)
  more tax base exempt, exit of retirem’t income
- More resistance to property tax load/increases

Implications for education

- Declining enrollm'ts = revenue, turf pressures
- Staff/admin. shortages, salary competition
- Increased competition, discounting
- Campus, UWS $ allocation—outdated, unrealistic?
- Increased neg. impact of HS, post-sec. dropouts
- Ditto higher ed. shift to tuition and incr. debt loads
- Increased societal/indiv. costs of poor decisions

 

Possible actions?

- Max. HS grad. rates; no schools underperform
- Be honest, realistic about need for BA/S degree
- Rethink admisssions req's & standards, retention, remediation; can't afford leakage, delusion
- Max. resource allocation in higher ed: see above; strategically prune; focus campus/dept. missions
- Accelerate time to degree (better prep., advising; rethink major requirem'ts, even majors; calendars)


Possible actions? (cont.)

- Reenergize/direct tech. policies/max. bandwidth
- Focus on societal and student needs; not preserving turf, institutions
- Flexible work policies for senior employees
- Accelerate paths to teaching and admin. employment
- Be realistic about tenure reqm'ts (10yr cont.?)
- Recruit the best, brightest; immigrat'n policy?


Closing thoughts: More elephants

State educational policymaking;
ditto higher education?

Wisconsin funding model?

Campus, System governance?

Wisconsin Taxpayers Alliance

82 years of nonpartisan policy research and citizen education

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