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
- Recent state population forecasts (2010-40)
- Implications? Possible actions?
- A few brief words about WISTAX
Backdrop: Econ. news not new

[Graph showing Ann. GDP pc % Growth for US and WI from 1998 to 2013]
More than one Wisconsin
Quick review:

- **NE**: X
- **CW**: 2001-12
- **W**: +5 to +7%
- **X**: -5 to -6%
- **SE**: X

Map showing recent county job growth from 2001-12.

Legend:
- -0.3 to -0.1
- 0.0 to 0.0
- 0.1 to 0.0
- 0.1 to 0.2
- 0.1 to 0.2

Note: 0.1 = 10%
**demography** (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
“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!

Pop. Growth Means Econ. Growth
% Chg. By State, 1980 - 2011

Working Age Population Growth

Job Growth

Minn.  Ariz.  Nev.

Ill., Iowa, Mich.  Wis.
Past pop. growth: US vs. Wis.

Quantitative data chart discussing cumulative population growth in Wisconsin compared to the US since 1950.
Wisconsin’s past – age by group

Age Group Sizes ( Millions ) Change

1960 - 2010

0-19

20-64

65+

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Long time coming! (Did we notice?)

Wis. K-12 Public School Enrollment

NB: With new 4K

5 + 17 = 22

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

Wis. Pop. Growth Slows, 1950 - 2040
Millions (line), Avg. Ann. % Chg. (Bars)
Faucet dripping, drain rushing

Births Stagnate, Deaths Grow! (1980s-2030s)

- Births
  - 1990: 727,817
  - 2000: 705,088
  - 2030: 749,258

- Deaths
  - 1990: 414,694
  - 2000: 461,755
  - 2030: 647,515

Natural Increase: 1.75

1.16
Less natural growth, more migration?

Migration Becomes More Important, But . . .

End of Five-Year Period

2015 2020 2025 2030 2035 2040

-14,728 112,957 95,607 84,846 36,318 -22,336
**Digging deeper: Labor force freeze**

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<th></th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>% Chg.</th>
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<td>0-24</td>
<td>1.89</td>
<td>1.88</td>
<td>1.95</td>
<td>1.95</td>
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<tr>
<td>25-64</td>
<td>3.02</td>
<td>3.06</td>
<td>3.00</td>
<td>3.01</td>
<td>-0.3%</td>
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<tr>
<td>65 &amp; over</td>
<td>0.78</td>
<td>1.06</td>
<td>1.42</td>
<td>1.54</td>
<td>97.5%</td>
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<tr>
<td>Total</td>
<td>5.69</td>
<td>6.01</td>
<td>6.38</td>
<td>6.49</td>
<td>14.1%</td>
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</table>

Working/
Dependent

*Workers (mill.)*
The long haul, 1960 – 2040 (Seniors)

Actual Size, Wis. Age Cohorts over Time

- 18-44
- <18
- 65+

Wisconsin Age Cohort Trends from 1960 to 2040
The past & future workforce

Actual Size, Wis. Age Cohorts over Time

<18
65+

0
18 20 22 24 26 28 30 32 34 36 38 40

0
500,000
1,000,000
1,500,000
2,000,000
Future workforce growth? Flat?

[Graph showing workforce growth by age groups 18-44, <18, and 65+ with an exclamation mark.]

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No job creation, without bodies?

Job Number (Blue) Track Working-Age Pop (Red)
Local trends?

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

Up >10

Dn > 10

Dn <10

St. Cr.
(A)

(B)

(C)

(D)

Sauk

Dane

Kewaunee
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
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 admissions 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 requirements, 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

www.wistax.org