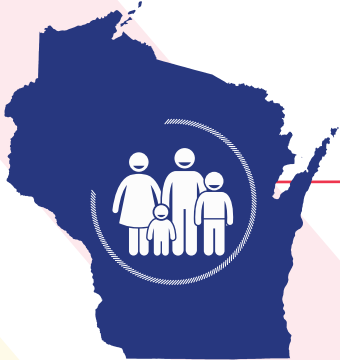


WISCONSIN'S **DEMOGRAPHIC** **DILEMMA**



JUNE 2023

WISCONSIN  **2035**

A VISION FOR WISCONSIN'S ECONOMIC FUTURE







WISCONSIN'S DEMOGRAPHIC DILEMMA

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AUTHOR'S NOTE

WMC Foundation spent the better part of 2021 conducting research, meeting with stakeholders in both the private and public sectors, and visiting all corners of the state to understand the biggest economic challenges facing Wisconsin. The culmination of those efforts in December of that year was the release of **Wisconsin 2035**, which cast a vision for the state's economic future.

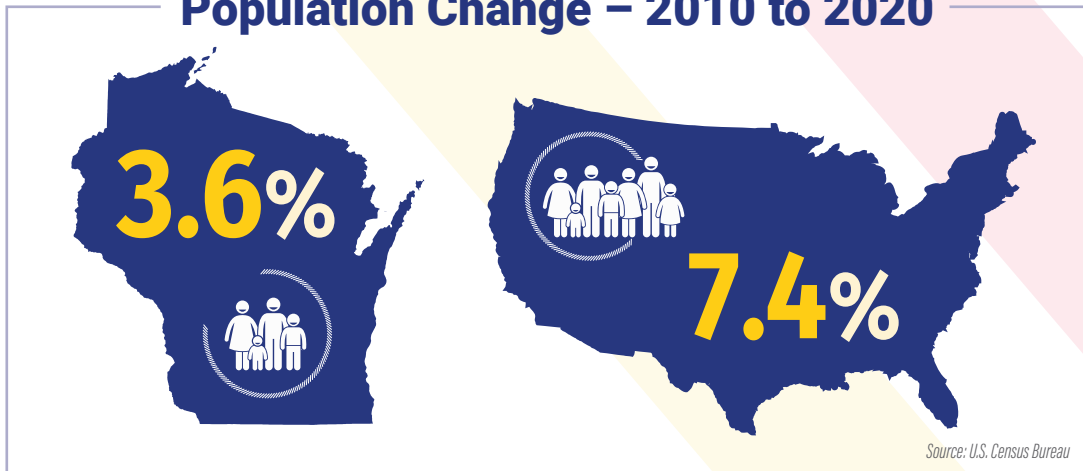
While that report started what will become a 15-year journey to make Wisconsin more competitive and create sustained economic growth, WMC Foundation will continue to check back on the challenges first highlighted in that report.

The main driver for the initial research was – and continues to be – Wisconsin's workforce shortage. It came up in every interview conducted for **Wisconsin 2035**. To no one's surprise, the issue remains today. Unfortunately, new data released from the U.S. Census conducted in 2020 shows a bleaker picture than what we knew just 18 months ago.

This report, **Wisconsin's Demographic Dilemma**, will delve deeper into the state's demographic challenges and unpack how today's numbers will impact future population growth potential, and with it, economic growth potential.



Population Change – 2010 to 2020



WISCONSIN POPULATION TRENDS

From 2010 to 2020, Wisconsin grew its population by 3.6 percent.¹ Unfortunately, that lags the national average of 7.4 percent. Birth rates dropped roughly four percent year-over-year in 2020 across the country and the fertility rate fell to 1.64 – a record low. Total births were the lowest since 1979.² Wisconsin does not escape this trend.

Estimates show that Wisconsin’s fortune is not improving, either. Over the last three years, the state has actually seen a drop in population – from 5,893,725 in 2019 to 5,892,539 in 2022. That is a reduction of roughly 1,200 people.³

There are a number of factors driving this population decline. First, Wisconsin’s natural population change is declining. Natural population change is the simple equation of taking the number of births in the state and subtracting the number of deaths. In 2020, Wisconsin had a positive result with 1,391 more births than deaths. However, that number reversed in 2021 and 2022 – losing approximately 1,800 people each year. Overall, Wisconsin’s population shrunk by over 2,000 people from 2020 to 2022 because more people have died than have been born.



Wisconsin Population Change

	2020	2021	2022	Total
Overall Population Change	2,546	-16,170	12,438	-1,186
Natural Population Change	1,391	-1,798	-1,758	-2,165
International Immigration	215	3,189	8,174	11,578
Domestic Migration	-139	-18,901	7,657	-11,383

Source: U.S. Census Bureau

The other factors affecting the state's population are migration to and from other states and immigration to and from other countries.

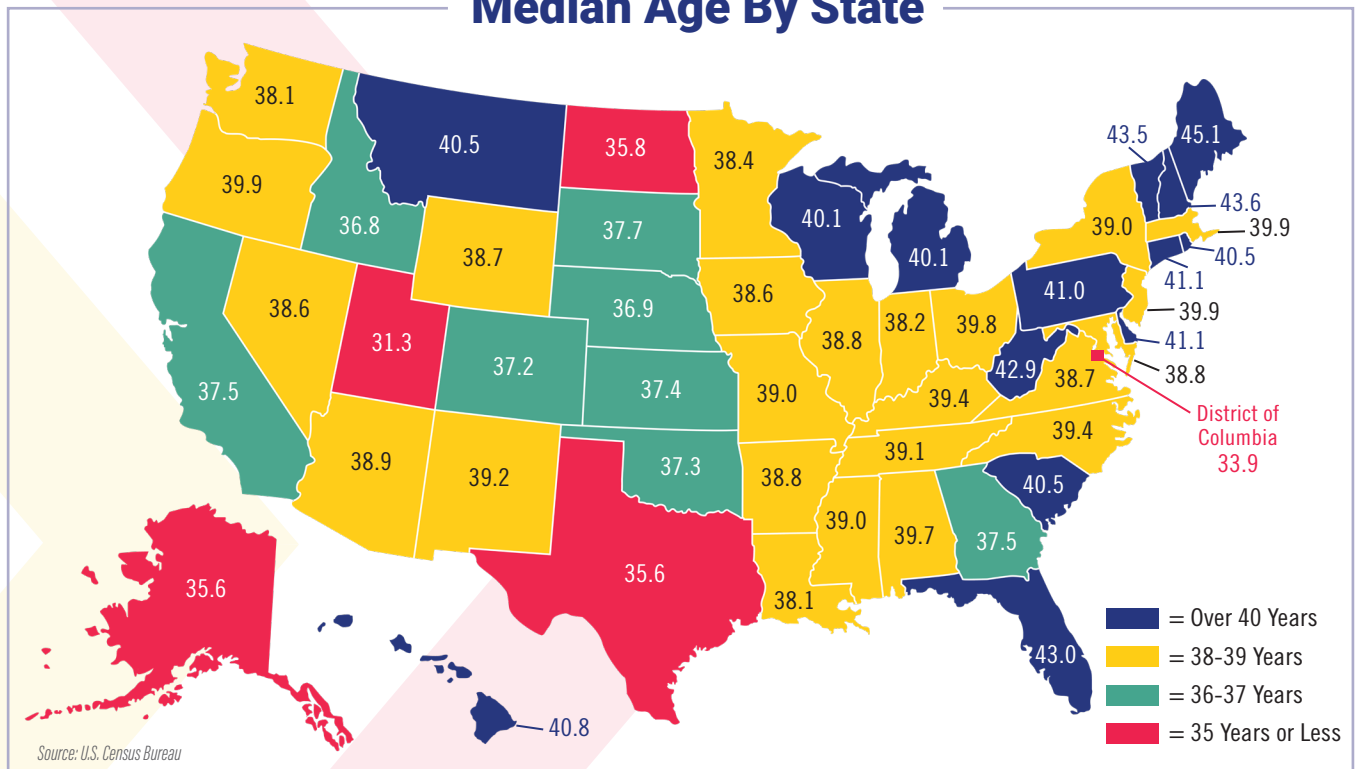
In somewhat good news, Wisconsin did attract more people from other states than it lost in 2022. It netted a total of 7,657 people. However, this does not make up for the fact that Wisconsin lost nearly 16,000 people to other states in 2021 or the fact that net migration was essentially zero in 2020. Overall, Wisconsin has lost a net of over 11,000 people to other states since 2020.

This loss has been offset, though, by foreign immigration. Wisconsin has gained population each of the last three years thanks to people moving here from other countries. The state gained a net of over 8,000 people in 2022 and over 3,000 people in 2021 through foreign immigration.

When combined, the Badger State gained only 195 people from 2020 to 2022 from domestic migration and international immigration. Clearly, less than 200 additional people is not the significant boost needed to accelerate sluggish population growth.

Breaking down these population numbers reveals some general concerns about the state's demographics. First, Wisconsin continues to struggle with getting to at least replacement levels on its birth rates. By having fewer births than deaths, it puts further strain on the need to attract people to Wisconsin. Second, Wisconsin is failing to attract enough people to the state. Over the last three years, this number has been buoyed by international immigration. Even so, overall population is still slipping.

Median Age By State

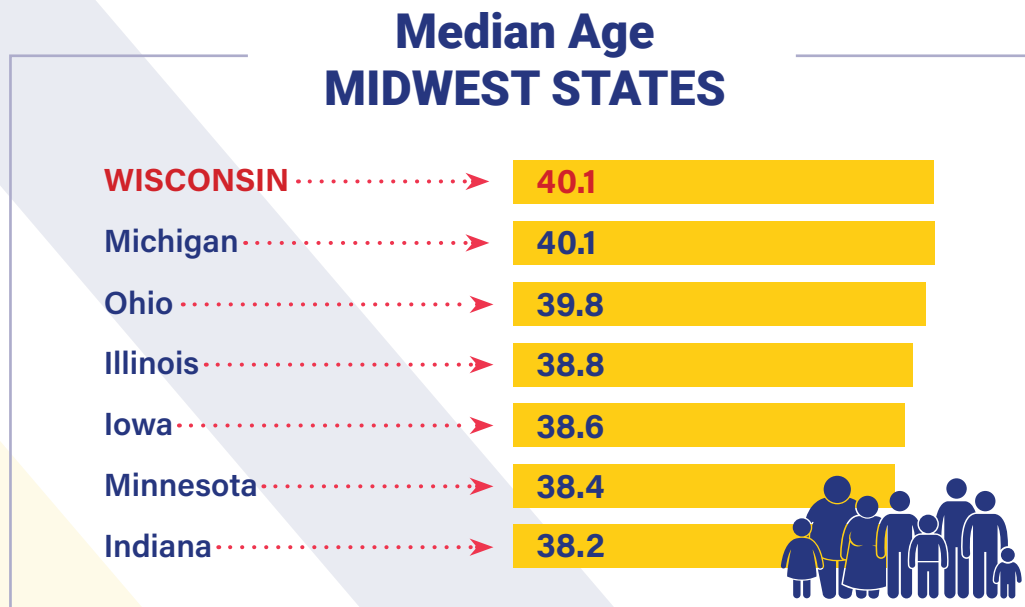


HOW OLD IS WISCONSIN?

The state's population is getting older. This has been reported in the past, but new U.S. Census data shows Wisconsin's situation is only getting worse. According to the latest available data, Wisconsin's median age is 40.1.⁴ That means that half of the state's population is older than 40.1 years, and the other half is younger.

Wisconsin is one of only 14 states where the median age is over 40. Among Midwest states, Wisconsin is tied with Michigan for having the oldest population. The youngest is Indiana, which has a median age of 38.2.

Nationally, the median age is 38.8, and the oldest and youngest states may come as a surprise. The state with the lowest median age is Utah, which comes in at 31.3. Utah's median age is 2.6 years younger than the District of Columbia's population and more than four years younger than Alaska and Texas, the next youngest states. Meanwhile, Maine takes home the trophy for the oldest population, where the median age is 45.1.



“Wisconsin is one of only 14 states where the median age is over 40.”

WISCONSIN'S DEMOGRAPHIC FUTURE

One nice thing about demographic data is that it can paint a potential picture of what the future may look like. It is not perfect, but with all things being held constant, we can assume that children today will grow up to be adults tomorrow.

That means we can look at age groups like young children under the age of five to better understand what kindergarten classrooms may look like in coming years. We can take the school-age population and make estimates on how many may enter the workforce or go to college upon turning 18.

Earlier in this report, it was noted that Wisconsin's natural population change (births minus deaths) is on the decline. As we will uncover here, the situation is likely to get worse.

The two age groups just mentioned – under five years old and ages five to 17 – will help predict a number of things. By the year 2035, the older children will be approaching 30 years old while the younger ones will likely be enrolled or about to graduate from high school.

These are future Wisconsin workers, and we have fewer of them today than a decade ago. Between 2010 and 2020, both populations shrank. If the trend of migration out of Wisconsin continues, the state's future workforce will face an even more dire situation.

For kids under the age of five, almost every single state saw a population decline. Only North Dakota and Washington, D.C. saw this group increase in size. As birth rates decline, it should not come as a shock that there are fewer children nationwide.

However, Wisconsin is part of an unfortunate group. It is one of only 17 states that saw the population of this age group decline by double digits. The Dairy State's under five population declined by 10.1 percent. In the Midwest, the only state that performed worse was Illinois. Our neighbor to the south saw a decrease of 15.6 percent.

Looking at data about the school-age population, most states saw growth with this group over the last decade. In fact, 31 states increased their population of children ages 5-17. Wisconsin was not one of those states. It reduced the size of this population by 2.2 percent.

As births continue to slow in Wisconsin, and fewer young people are living in our state, the gap being created between the number of births and deaths is only going to grow. This decline in natural population will mean even more pressure on the need to attract and retain people.

Another factor making that challenge worse is the increasing number of older Wisconsinites. While the state's younger population is shrinking, the opposite is true for 65-84 year olds. This population of people has grown by 41.7 percent since 2010.



Population Change By State

AGES 65-84

State	Population Change
1. Alaska	76.5%
2. Idaho	64.5%
3. Colorado	62.9%
4. Nevada	58.3%
5. Washington	57.9%
6. South Carolina	57.1%
7. Utah	56.7%
8. Oregon	56.2%
9. Georgia	56.0%
10. Arizona	54.7%
11. New Hampshire	54.6%
12. Delaware	54.3%
13. Texas	53.4%
14. Montana	52.6%
15. Vermont	50.9%
16. Wyoming	49.7%
17. Hawaii	48.3%
18. North Carolina	47.9%
19. New Mexico	46.4%
20. Virginia	45.7%
21. California	45.2%
22. Maine	45.0%
23. Minnesota	44.4%
24. Maryland	43.4%
25. Florida	42.7%
26. Massachusetts	41.8%

State	Population Change
27. WISCONSIN	41.7%
28. Tennessee	41.0%
29. South Dakota	39.9%
30. Louisiana	39.2%
31. Rhode Island	38.8%
32. Indiana	36.9%
33. Michigan	36.6%
34. Alabama	36.4%
35. Mississippi	36.2%
36. Kentucky	35.6%
37. Kansas	35.6%
38. Nebraska	35.4%
39. Ohio	34.3%
40. Illinois	33.9%
41. New York	33.2%
42. Connecticut	32.7%
43. New Jersey	32.7%
44. Missouri	31.7%
45. Iowa	31.7%
46. North Dakota	31.6%
47. Oklahoma	31.0%
48. Pennsylvania	30.8%
49. District of Columbia	30.4%
50. Arkansas	28.6%
51. West Virginia	25.8%

Source: U.S. Census Bureau

A number that large may be startling, but it is not unanticipated. The silver lining is that Wisconsin is actually in the middle of the pack when compared to other states. Alaska's retiree population grew the fastest over the same period at a rate of 76.5 percent, whereas West Virginia had the slowest growth at just 25.8 percent.

Among Midwest states, Wisconsin is in quite a quandary, though. As noted, the state's population under the age of five declined at the second fastest rate. On the other hand, its population ages 65-84 also grew at the second fastest rate – putting Wisconsin on the wrong side of both of those comparisons.

Population Change

MIDWEST STATES

UNDER 5 YEARS OLD

State	Population Change
Illinois	-15.6%
WISCONSIN	-10.1%
Michigan	-8.0%
Ohio	-7.5%
Iowa	-6.0%
Indiana	-5.8%
Minnesota	-4.3%

Source: U.S. Census Bureau

Population Change

MIDWEST STATES

AGES 65-84

State	Population Change
Minnesota	44.4%
WISCONSIN	41.7%
Indiana	36.9%
Michigan	36.6%
Ohio	34.3%
Illinois	33.9%
Iowa	31.7%

Source: U.S. Census Bureau

IMPACT ON THE ECONOMY

What does all of this data mean for Wisconsin's economic future? In short, it places far more pressure on the business community. These numbers show that the workforce shortage is not temporary. It will be an ongoing concern for decades unless something is done to change these trends.

Essentially, if the state's population does not begin to grow at a faster rate, it means there will be fewer workers to fill jobs now and in the future. It means K-12 schools will have fewer students attending – making it especially challenging in already small, rural districts. And, it means that local and state governments will have a smaller tax base from which to support public services.

The truth is that Wisconsin's population is not expected to grow naturally. Based on the data outlined in this report, the number of births will continue to decline and the number of deaths will increase. This will further the gap that needs to be filled by in-migration just to get back to net zero – let alone actual population growth.

To contend with this – and still grow the economy – automation will be necessary to fill gaps where workers cannot be found. Other technologies will be needed to improve efficiencies. And businesses unfortunately may need to contemplate moving some or all operations to states where the population is actually growing.



HOW TO FIX IT

The good news is that Wisconsin can still turn this ship around. Reaching Utah's median age of 31.3 may not be attainable in the coming decades, but there is progress to be made. By implementing changes that other states have done, Wisconsin could vastly improve its efforts to attract and retain talented people.

WMC Foundation suggests some policy ideas that could bring more people to Wisconsin and keep more who are already here.

IMPROVE THE TAX CLIMATE

Wisconsin is known as a high-tax state. By reducing income and property taxes, more individuals would be interested in moving to or staying here. As noted in the initial **Wisconsin 2035** report, four people move into low-tax states for every one person that leaves.⁵ Wisconsin is already a low-cost state, making it a low-tax state would create an even more attractive place for people to live and work.

IMPROVE EDUCATION OPPORTUNITIES & ATTAINMENT

It is no secret that people want their children to get a good education. Unfortunately in Wisconsin, more than six out of 10 students cannot read or do math at grade level. Expanding opportunities like school choice can show families that Wisconsin is committed to not just funding administrators and buildings, but truly improving education in the state.

COMMIT TO TALENT ATTRACTION

No matter how good Wisconsin is or becomes in the future, it doesn't matter if no one knows about it. A robust talent attraction campaign can tell Wisconsin's story and educate people of the terrific economic opportunity this state has. Most Midwesterners hate to brag, but Wisconsin needs to do just that.

INCREASE LABOR FORCE PARTICIPATION

Until last year, Wisconsin's record low labor force participation rate was 65.4 percent – set in 1976. The state has been under that number for the last year, hitting a new low point of 64.5 percent in February 2023. As of April 2023, Wisconsin's labor force participation rate ticked up to 64.8 percent.⁶

This is to say that far fewer people are participating in the workforce than they once did. In the late 1990s, nearly 75 percent of working age people were in the workforce. With population growth slowing and in-migration not keeping up, policymakers must look for ways to reengage available workers already living in Wisconsin.

This could include mandating legitimate work search requirements for welfare programs, reforming unemployment insurance eligibility, incentivizing businesses who offer employer-based childcare services, expanding training for individuals coming out of the criminal justice system and removing bureaucratic barriers to joining the workforce.

More information about Wisconsin's economic challenges and potential solutions can be found in WMC Foundation's Wisconsin 2035 report first published in December 2021. Visit www.wmcfoundation.org to find out more.

SOURCE MATERIAL

- ¹ Milwaukee Journal Sentinel: <https://www.jsonline.com/story/news/politics/2021/08/12/census-wisconsin-grows-modestly-while-milwaukee-drops-1930-s-levels/8110913002/>
- ² Wall Street Journal: <https://www.wsj.com/articles/why-has-the-u-s-birthrate-dropped-11620242450>
- ³ U.S. Census Bureau: <https://www.census.gov/data/datasets/time-series/demo/pepstat/2020s-state-total.html#v2022>
- ⁴ U.S. Census Bureau: <https://www.census.gov/newsroom/press-releases/2023/2020-census-demographic-profile-and-dhc.html>
- ⁵ Wisconsin 2035, WMC Foundation: <https://www.wmcfoundation.org/the-future-wisconsin-project/wisconsin-2035/>
- ⁶ Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/LBSSA55>



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