

December 2022 National, State, and La Crosse Employment Review

By Matt Style

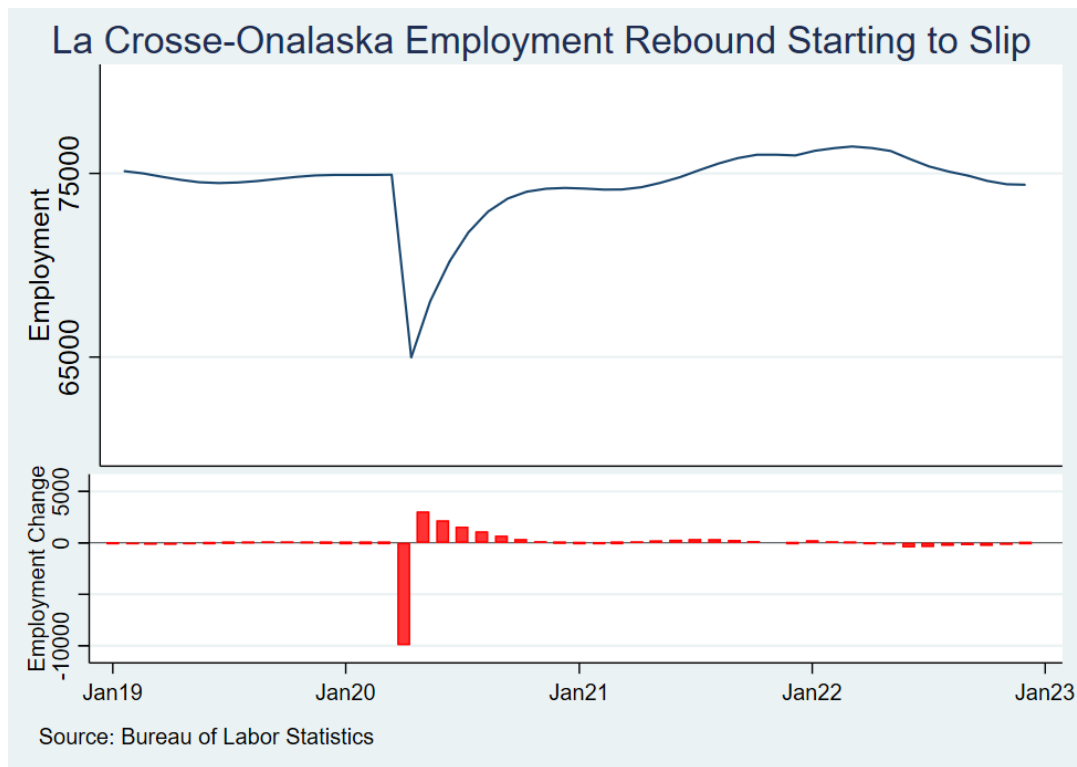
Executive Summary

The US economy has had a long road to recovery from the Covid-19 pandemic. While some shocks were resolved within a matter of months, others have continued through 2022. The goal of this brief is to look at the local, regional, and national city employment data released by the Bureau of Labor Statistics to gain insights into the La Crosse and greater Wisconsin economy. Using BLS data, I find that La Crosse has done a good job returning both employment and labor force numbers to their pre-pandemic levels, a trend that has followed most Wisconsin cities. Compared to the national picture, I will show that La Crosse has done a moderately good job, however many Wisconsin cities have begun losing their momentum in the closing months of 2022, resulting in a small decline of employment and labor force numbers heading into 2023.

La Crosse's Current Labor Market

Much like the rest of the United States, La Crosse had seen a similar pattern to job creation, employment cut down dramatically due to COVID-19 lockdowns, especially within the Spring of 2020, followed by a rebound to pre-pandemic levels. This is apparent in both the published unemployment rates and the number of workers who were employed. Take the unemployment rate for example. According to the Bureau of Labor Statistics, in January of 2020 when the Covid-19 virus had first been reported in the international news, the unemployment rate for the La Crosse-Onalaska area was 2.7%. Within a matter of months, the unemployment rate reached a high of 12.1% in April where roughly one out of eight workers were unemployed due to the pandemic and lockdowns. That number had decreased to a low of 2.3% by the summer of 2022 with a December 2022 rate of 2.6%, just below the rate of 2.7% leading into the pandemic. This rebound is mostly likely a combination of job re-creation (bringing back jobs lost due to the pandemic induced lockdowns) and the creation of new jobs due to later economic growth.

$$\text{Unemployment Rate} = \frac{\text{Number of Unemployed}}{\text{Labor Force}}$$



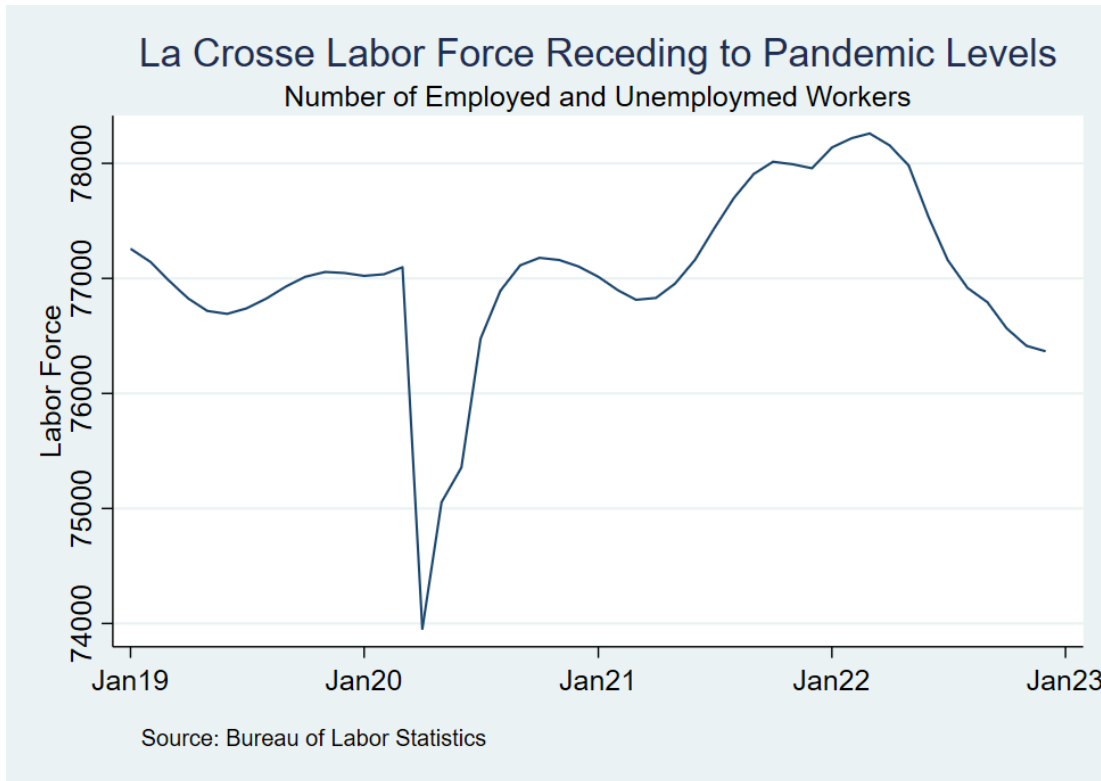
Evident in the first figure, La Crosse saw a large levels of job creation shortly after the initial destruction of April 2020, followed by smaller increases throughout 2021. While the local economy has taken positive steps towards creating new jobs, we are starting to see decreases to employment within recent months – due to workers separating from local jobs. While it would be impossible with this data to directly track where lost employment is going as these vacancies could be due to a variety of things – that position may be terminated or the person has quit their job (to find a new one, retire, move to another area, etc.). Frankly, this data makes it hard to decipher which can be the significant cause. There are more advanced estimates of job turnover and layoffs via JOLTS which is developed by economists at the Bureau of Labor Statistics at the city, state, and country levels. If this trend continues, we may look more closely into that data to look for stories regarding employment decline.

La Crosse's Labor Force

While it might be hard to track exactly where people are going, we can use one final statistic to gain some basic insights and that is the labor force for the area. The labor force is calculated by taking all the people that are employed and those that are unemployed but who are still looking for a job.

$$\text{Labor Force} = \text{Employed} + \text{Unemployed}$$

The labor force can serve as an indicator of the number of people who are willing and able to work. The larger the labor force, the more potential people that firms in an area can tap into for producing goods and services. A labor force statistic can provide insights into a local labor market, especially to better understand why the unemployment rate is changing. The unemployment rate can decrease through two methods: 1) the unemployed will exit the labor force; this can happen by leaving the area entirely or by staying in the area, but they are no longer looking for work. 2) Unemployment rates can also decrease by adding more employed workers compared to the unemployed.

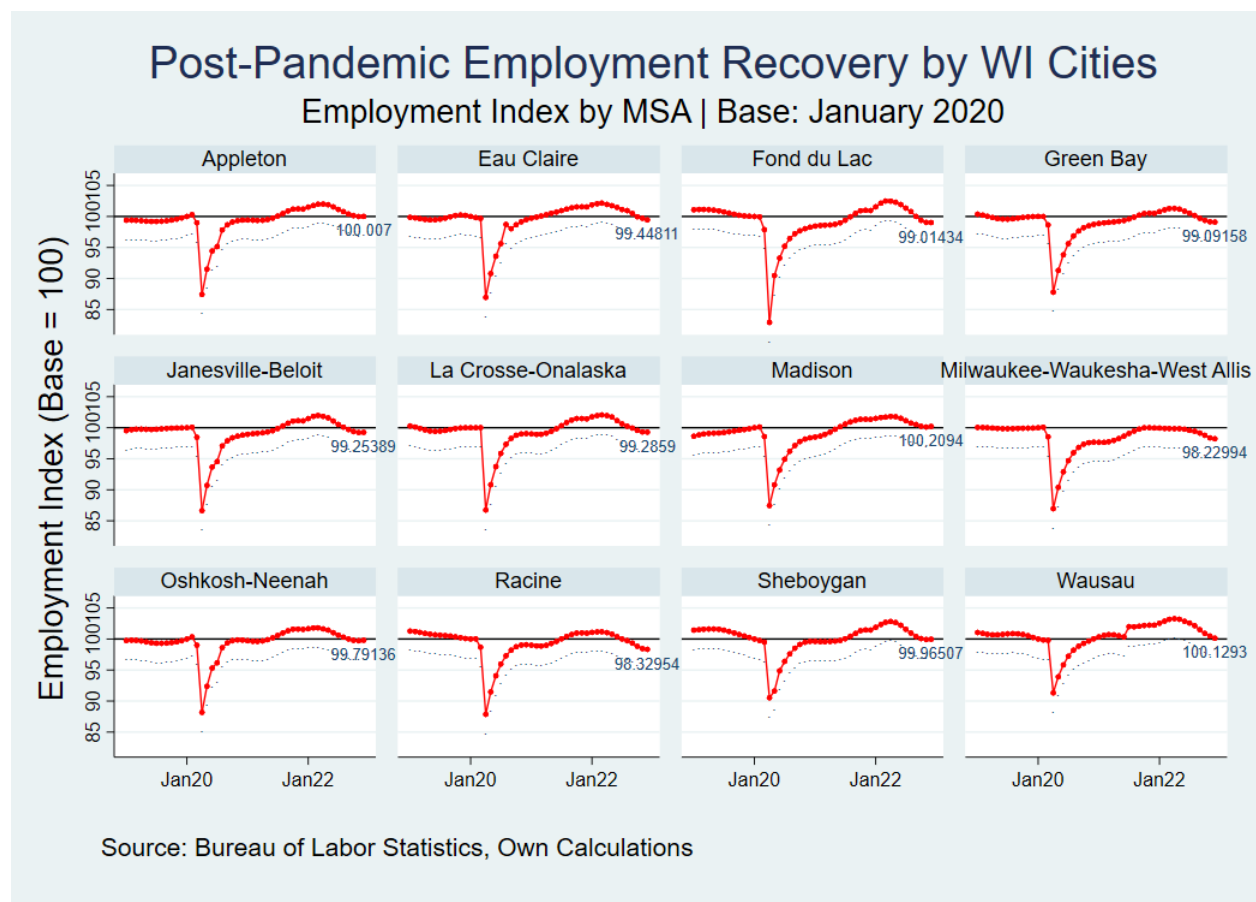


Wisconsin's Picture

For the La Crosse area, we have seen a bounce back from the pandemic, followed by a small decline in employment and the labor force heading into 2023. What is happening in the other major labor markets within the Badger state? According to the Bureau of Labor Statistics, Wisconsin had a statewide unemployment rate of 3.2% back in December which was the 18th lowest in the country, this was one percentage point higher than its 3.1% rate back in January of 2020 before the pandemic.

Wisconsin City Employment Changes

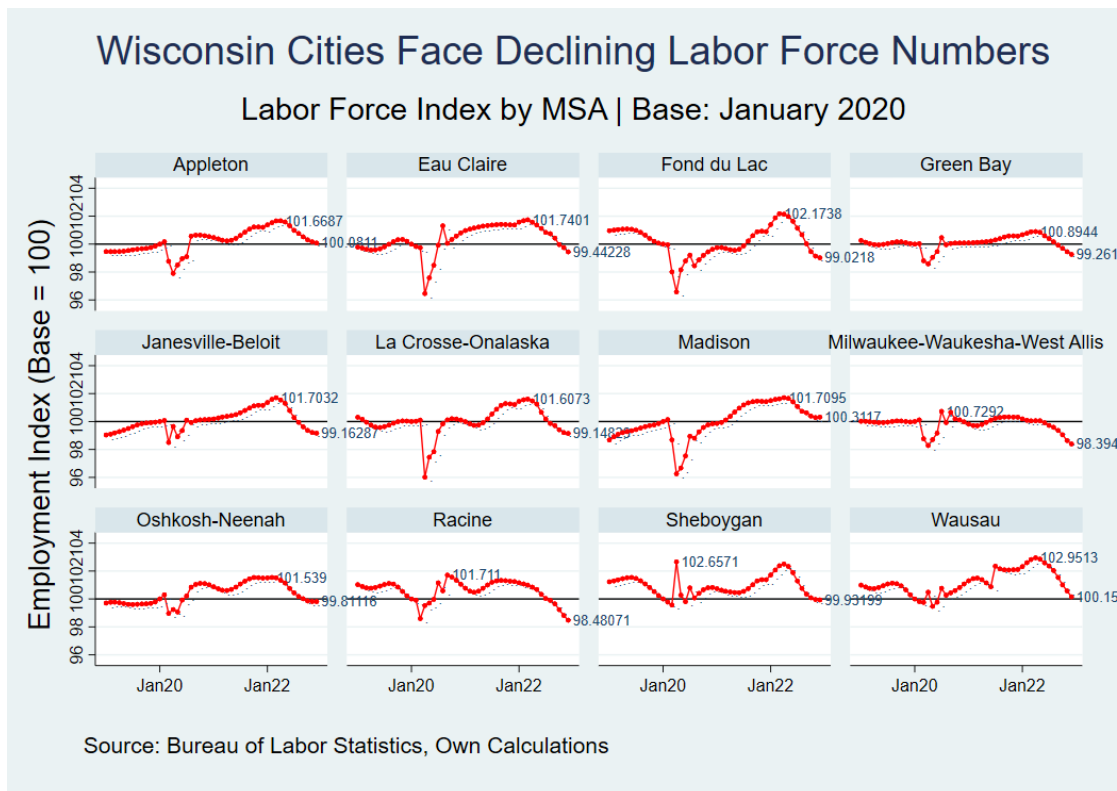
Much like La Crosse, the other 11 metropolitan areas have seen a very similar pattern. Every city saw a steep drop off in employment during the spring of 2020 followed by a climb that reached pre-pandemic levels generally around the fall of 2021. By the start of 2022, many of the cities had improved their employment levels roughly by 1-3 percentage points compared to their level of employment in January of 2020. Showing that not only did cities recover, but many of them began to see gains. However, these gains would be short-lived as employment levels have been dipping back down to the January 2020 levels since last summer. To make sure that all city measurements can be consistently measured against each other, I indexed the employment, unemployment, and labor force numbers to be based off of the January 2020 numbers to show how each MSA has fared in their rebound from the pandemic.



Labor Force Changes

Many Wisconsin cities saw a labor force setback because of the Covid-19 lockdowns during the spring of 2020. These lockdowns had the largest impacts on the cities of La Crosse, Eau Claire, Madison, and Fond du Lac, who saw roughly a 4% reduction in the size of their labor forces. These decreases mean that not only employment decreased but those who would have sought unemployment in the area also shrank meaning that there was either an increase in the number of people leaving the area or staying in their area but leaving the labor market.

Most Wisconsin cities had seen some increase in their labor force in 2021 due increases in their employment numbers coupled with improving unemployment rates comparable to the January 2020 rates. Every Wisconsin MSA, apart from Milwaukee, was able to sustain one month where their unemployment level was below the January 2020 rate. As of December 2022, five Wisconsin cities managed to have unemployment levels below 100 on the index— La Crosse (94.2), Janesville-Beloit (96.9), Sheboygan (98.1), Eau Claire (99.2) and Fond du Lac (99.3). Cities such as Green Bay (105.1), Madison (104.7), and Milwaukee (103.2) all had unemployment levels that were at least 3 percentage points higher than January 2020.

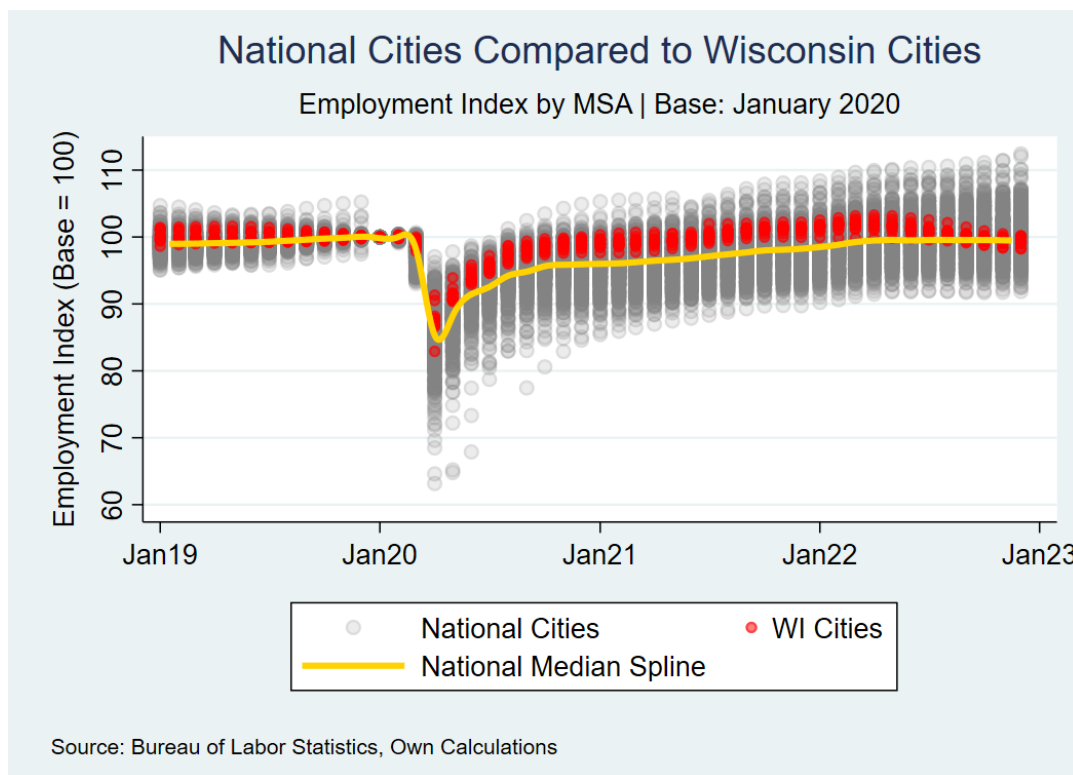


Wisconsin's Overall Picture

Using these indices, we can compare the different rates between each city as well as compare these cities across time. Most Wisconsin cities have experienced a very similar employment and labor force trend. At the start of the Covid-19 pandemic, many cities experienced a significant increase in unemployment combined with a decrease in employment. Labor Force numbers have been mixed as some areas have been more sensitive to the lockdowns but one consistent trend is their decrease across all cities in the latter half of 2022.

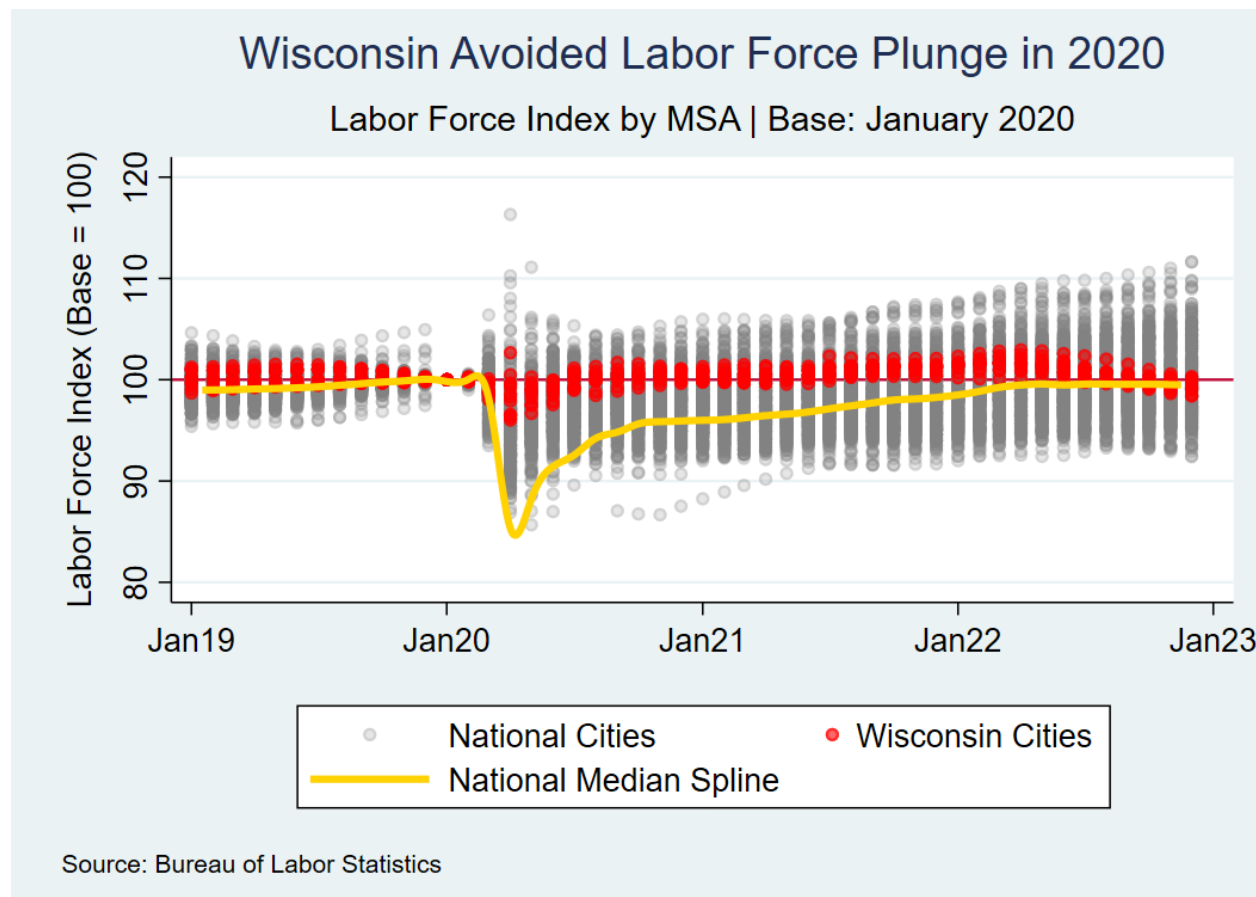
National Picture

We had observed a consistent pattern of employment within the various metropolitan areas within the state of Wisconsin. This presents one final question; how do Wisconsin cities perform compared to the rest of the country? Are other cities experiencing different patterns? Using employment numbers, Wisconsin cities seem to be faring better in the Employment Index than the median national city evidenced by the graph below. While the national range of cities is quite wide (almost 20 percentage points), it appears that at the median, the national level has almost fully recovered its labor force. While Wisconsin had been outperforming the national median, the recent decline in employment numbers by Wisconsin MSAs have regressed towards the median.



These observations are in-line with Wisconsin’s rank as the state with the 18th lowest unemployment rate. Wisconsin’s Labor Force Index faces a very similar trend post-2021 as Wisconsin’s Employment Index relative to all over MSAs. Wisconsin had been outperforming the median city for much of the recovery until Wisconsin had regressed back down to 100 and the median kept progressing up to 100. However, one important thing to note is that Wisconsin cities generally avoided a significant labor force fallout during the spring of 2020 compared to other cities. While employment had been slightly above the median, labor force had performed exceptionally well for the first year of recovery compared to the median spline.

Many of the cities that tend to perform better than Wisconsin MSAs in both graphs were cities generally in Florida, Texas, Arizona, Utah, and North Carolina. However, not all cities in these states performed exceptionally well but a majority did. While Wisconsin MSAs generally performed better than regional competitors such as Illinois, Iowa, and Michigan, while being marginally better than Minnesota’s MSAs.



Conclusion

While there are certainly many policy conclusions and debates that can be derived from this data, the sole purpose of this is to provide a benchmark for the local La Crosse and regional Wisconsin cities. By employment standards, much of the country has recovered from the employment effects brought about by the pandemic. Wisconsin's cities have generally done a good job to not only reach its pre-pandemic employment levels but in many cases grow. However, there are two concerns. We are seeing employment numbers and labor force numbers trend downwards to close out 2022 within the state. It will be important to track future releases of employment data from the Bureau of Labor Statistics to see if this trend reverses. Overall, Wisconsin is in a mildly good spot compared to the rest of the country. However, the national graphs paint a picture that Wisconsin is performing well but not great.