

# **Moving Outward:**

## **The Shifting Landscape of Poverty in Milwaukee**

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**Center on Wisconsin Strategy**

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COWS is a research and policy center dedicated to improving economic performance and living standards in Wisconsin. Based at the University of Wisconsin-Madison with an office in Milwaukee, COWS promotes "high-road" strategies that support living wages, environmental sustainability, strong communities, and public accountability.

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# Executive Summary

Poverty is a serious problem in the United States. According to Census data for 2002, there are 34.6 million people (12.1 percent of the total population) living below the official poverty threshold. Within central cities – home to disproportionate numbers of minority residents – the poverty rate is even higher: 16.7 percent.

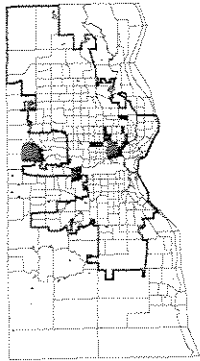
High rates of poverty, in turn, generate high rates of concentrated poverty (see “Defining Concentrated Poverty,” p.iii). When poor people are clustered together in their communities, the difficulties they face in gaining access to good jobs, quality education, decent housing, public services, and other necessities are magnified.

In Wisconsin, Milwaukee has consistently shown high levels of poverty and concentrated poverty. Much has been made of the fact that, in the 1990s, Milwaukee saw a significant decline in concentrated poverty (see, for example, Thomas-Lynn, 2003). However, emphasizing this positive development obscures several important trends:

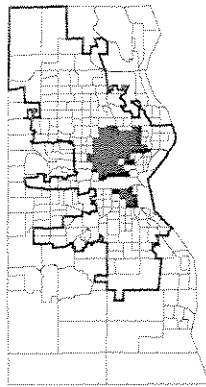
- Concentrated poverty in Milwaukee rose so dramatically in the 1980s that, despite its decline in the 1990s, the city remains far behind.
- The steep drop in concentrated poverty was not accompanied by a comparable decrease in Milwaukee’s overall poverty rate.
- The recent recession may have contributed to an increase in concentrated poverty in Milwaukee since the end of the 1990s.
- Milwaukee’s black residents continue to bear the brunt of high rates of concentrated poverty.

In this report, we provide a detailed analysis of concentrated poverty in Milwaukee. (For a discussion of concentrated poverty in other parts of Wisconsin, see the Appendix.) Using information from three censuses – which provide income data for 1979, 1989, and 1999, respectively – we trace changes in concentrated poverty in Milwaukee over time.

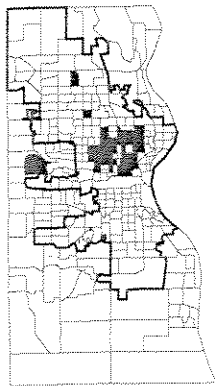
## High-Poverty Census Tracts, Milwaukee County



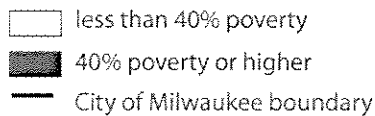
1979



1989



1999



Source: Decennial Census, 1980, 1990, 2000, U.S. Census Bureau

Among our key findings:

- From 1989 to 1999, the rate of concentrated poverty in Milwaukee County fell from 47.4 to 24.4 percent; even so, the rate is still more than double the 1979 rate of 10.2 percent. Similarly, even though the number of high-poverty census tracts in Milwaukee County fell between 1989 and 1999 (from 59 to 43), this is still more than twice the number in 1979 (19).
- Most of the recent drop in concentrated poverty in Milwaukee County occurred because poor residents moved within the county, not because the county's poverty rate declined. While concentrated poverty in Milwaukee County declined significantly between 1989 and 1999, the county's poverty rate fell only slightly, from 15.9 to 15.3 percent.
- In Milwaukee County, concentrated poverty disproportionately affects black residents. In 1999, blacks represented just 25 percent of total county population but 77 percent of county residents living in high-poverty census tracts. Moreover, 26 percent of Milwaukee County's black residents lived in high-poverty tracts in 1999, while just 8.2 percent of all county residents did so.
- Milwaukee has higher rates of concentrated poverty than any other part of the state. In 1979, Milwaukee County had 79.2 percent of the state's high-poverty census tracts. In 1999, the county share was 81.1 percent. Overall, the state's concentrated poverty rate declined substantially between 1989 and 1999 (from 19.3 to 11.2 percent), and the number of high-poverty census tracts fell sharply (from 77 to 53). However, the state still had more than twice as many high-poverty tracts in 1999 than in 1979 (24).
- New data since 1999, indicating a rise in poverty rates in Wisconsin and Milwaukee, suggest that concentrated poverty may also have increased.

Clearly, in spite of improvements in the 1990s, concentrated poverty persists as a problem in Milwaukee – one that disproportionately affects the city's black residents.

We conclude our report by highlighting strategies to address the problem of concentrated poverty in Milwaukee. These include:

- Connecting central-city residents to quality employment opportunities through job training and other programs
- Raising living standards for low-income workers (for example, by increasing the minimum wage and expanding access to the Earned Income Tax Credit)
- Promoting urban development policies that improve living standards in central cities

## Defining Concentrated Poverty

**What is poverty?** People are poor if their household's income falls below the poverty threshold established by the U.S. Census Bureau. Poverty thresholds vary depending on household size and arrangement; for example, the poverty threshold in 2004 is \$15,670 for a single parent with two children, and \$18,850 for two adults with two children. The thresholds are based roughly on a family's basic food budget multiplied by three. Although this method does not accurately measure real family budgets, the Bureau's definition of poverty is widely used in policy discussions and government reports.

**What is a census tract?** A typical census tract follows features of the physical landscape, such as rivers and roads. It usually contains between 2,500 and 8,000 people. The Census Bureau tries to keep census tracts fairly stable between censuses. Sometimes, however, because of population changes, a tract's boundaries are changed between censuses.

**What is a high-poverty census tract?** A high-poverty census tract is a tract in which more than 40 percent of residents are living in poverty.

**What is the rate of concentrated poverty?** The rate of concentrated poverty in an area is the share of poor residents who live in high-poverty census tracts within the area.





# Introduction

**P**overty is a major problem in the United States (see “Defining Poverty,” below). According to Census data for 2002, there are 34.6 million people living below the official poverty threshold (12.1 percent of the total population). Among central-city residents, the poverty rate is even higher: 16.7 percent.

People living in poverty face many challenges on a daily basis. For example, they often have difficulty gaining access to basic necessities such as adequate food and shelter. Poverty is also associated with a host of social problems, such as poor educational outcomes, poor health, drug abuse, neighborhood and housing blight, and crime.

High rates of poverty, in turn, generate high rates of concentrated poverty (see “Defining Concentrated Poverty,” p. 2). In communities where poverty is concentrated, the problems that poor people face are magnified (see “The Consequences of Concentrated Poverty,” p. 3). Poverty tends to be a self-reproducing phenomenon, as parents’ education and income levels typically have a significant effect on the level of education and income their children obtain. When poor children grow up in communities where many people are poor, their chances of success are considerably reduced.

## Defining Poverty

In the United States, people are defined as poor if they live in poor households. The U.S. Census Bureau sets poverty thresholds for different household sizes and arrangements (e.g., one adult living alone, one adult with two children under age 18, etc.) For example, the poverty threshold in 2004 is \$15,670 for a single parent with two children, and \$18,850 for two adults with two children.

The poverty thresholds, first developed in the 1960s, were based roughly on a family’s basic food budget multiplied by three. Except for adjusting for inflation, this is still the method used today to determine poverty thresholds. The method is problematic because it does not accurately measure the budgets of real families. However, the Census Bureau’s definition of poverty is widely used in policy discussion and government reports, so we adopt it here.

In this report, we document the extent of concentrated poverty in Milwaukee. (For a discussion of concentrated poverty in other areas of Wisconsin see the Appendix.) Drawing on information from three censuses – which provide income data for 1979, 1989, and 1999, respectively – we trace how concentrated poverty has changed over time in Milwaukee. We conclude by outlining policy proposals that would help to reduce concentrated poverty.

## Defining Concentrated Poverty

**What is a census tract?** In defining concentrated poverty, researchers commonly use the census tract as the unit of analysis; we do the same here. Census tracts follow features of the natural and artificial landscape, such as rivers and roads, and the Census Bureau tries to keep them fairly stable between censuses. A typical census tract usually contains between 2,500 and 8,000 people. Sometimes, because of population changes, census tracts need to be merged or split, or new tracts created, in order to keep the average tract population constant. This means it is often not possible to compare the same census tract from one census to the next, because its boundaries might change. Outside of metropolitan areas, the equivalent of a census tract is called a block numbering area (BNA), but we refer to both as census tracts.<sup>1</sup>

**What is a high-poverty census tract?** We follow the convention, established by other researchers, of defining a high-poverty census tract as a tract in which more than 40 percent of residents are poor. This is based on the observation that blight (in the form of high crime rates, run-down or burned-out housing, etc.) appears to set in once a tract has passed the 40-percent mark (Jargowsky, 1997).

**What is a high-poverty neighborhood?** A high-poverty neighborhood is defined as a set of contiguous high-poverty census tracts.

**What is the rate of concentrated poverty?** The rate of concentrated poverty in a given area is defined as the share of poor people who reside in the high-poverty census tracts within that area. In theory, if all of the poor people in an area live in high-poverty census tracts, the rate of concentrated poverty is 100 percent (though this never happens in practice); conversely, if none of them do, the rate is zero.

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<sup>1</sup> The Census Bureau did not collect data on BNAs for 1979, so our discussion of concentrated poverty for 1979 focuses on metropolitan areas only. Since we do not have BNA information for 1979, this may overstate the extent of the increase in high-poverty census tracts, because there may have been some high-poverty BNAs in 1979 that we could not pick up. However, since most high-poverty census tracts/BNAs in 1989 and 1999 were census tracts, not BNAs, this effect is likely minimal. There were 851 tracts in 1979 for which we have data in 1979, 1,340 tracts or BNAs in 1989, and 1,333 tracts or BNAs in 1999.

## The Consequences of Concentrated Poverty

Concentrated poverty can have a devastating impact on community residents. For example:

- **Lack of access to jobs.** Much recent job creation has been in suburban areas. Often, when poor people are massed together in central cities, they either cannot access these jobs or are forced to “reverse commute” to the suburbs. A single working mother may be forced into a “triangular commute” between an inner-city residence, a child-care arrangement, and a job in the suburbs (often a low-wage service-sector job). This process is even more difficult if she must rely on public transportation. If she can afford a car, it is likely to be old and unreliable.
- **Lack of public services.** Since cities get much of their revenue from property taxes, and property values tend to be low in poor areas, concentrated poverty adversely affects their tax base. With reduced revenues, cities lose their ability to provide basic services, such as police, fire, street and park maintenance, garbage disposal, and administrative and court services. This makes the city an even less desirable place to live and encourages more flight.
- **Poor education.** The public schools are also financed in part through property taxes. With fewer resources, schools in poor neighborhoods are less likely to produce graduates with the skills needed to achieve economic success. Good teachers are also less likely to want to teach in these neighborhoods. In turn, the lack of skilled graduates adversely affects firms’ decisions to locate in the central city.
- **High-priced necessities.** Because incomes are low and crime rates are often high in neighborhoods suffering from concentrated poverty, large mainstream retailers under-serve these neighborhoods, and residents often must purchase basic goods, such as groceries, from smaller operations with higher prices.
- **Poor housing.** It is difficult to find decent housing in these neighborhoods, because much of the housing stock is old and in bad shape. The physical deterioration brought about by poor maintenance of buildings, parks, and streets keeps middle-income people out of the area. Moreover, the proximity of many of these neighborhoods to abandoned industrial buildings, which may contain toxins, can create health hazards.
- **Low property values.** Property values, both commercial and residential, tend to plummet, because the depopulation of poor areas, both by middle-income residents and by firms, decreases demand and therefore prices.
- **High crime rates.** Crime rates tend to be higher in these neighborhoods, because there are many poor and unemployed people. Studies have shown that concentrated poverty and community disorganization are related to higher rates of crime (Hurley, 2004).

These negative effects extend beyond the neighborhoods where they are found, ultimately harming many residents in surrounding areas as well.



# Deindustrialization and the Growth of Concentrated Poverty

**C**oncentrated poverty is a national problem: it is found in virtually every large city in the United States. To understand its evolution, we need to understand how the economy has changed over time (see box, “Economic Restructuring and Concentrated Poverty”).

## Historical Background

Over the last 40 years, the national economy has shifted from a manufacturing-based to a service-based economy. This trend has been especially pronounced in Wisconsin. After World War II, and particularly during the boom years of the 1960s, Wisconsin had a robust manufacturing base, and southeastern Wisconsin was a major manufacturing center. Relatively unskilled – but often unionized and high-paying – jobs were widely available in Milwaukee and in smaller urban areas of the state such as Madison, Green Bay, Sheboygan, Fond du Lac, and Beloit.

In the late 1970s and early 1980s, disaster struck Wisconsin’s manufacturing base, along with that of the rest of the country. In search of lower costs, and facing increased global competition, U.S. manufacturers began to move their manufacturing capacity out of the central cities, often to southern states or Mexico. In addition, manufacturers moved some of their operations to suburban and rural locations.

The impact on northern industrial centers, particularly Milwaukee, was devastating. Between 1977 and 1987, manufacturing employment declined by 19.6 percent in the Milwaukee metropolitan area, and by 30.1 percent in the City of Milwaukee (Levine and Callaghan, 1998). As high-paying industrial jobs became less available and positions paying comparable wages in growing service industries (such as health care and education) required skills many city residents did not have, a large number of workers were forced to take low-wage service-sector jobs that did not pay enough to keep families out of poverty.

Blacks were especially hard hit by deindustrialization. During the postwar economic boom, large numbers of blacks migrated to Milwaukee, Racine, and other northern manufacturing cities. Many were able to move out of poverty and into the working class. In fact, by the late 1970s, black workers in Wisconsin earned median wages well above their national counterparts. However, the loss of manufacturing jobs in the 1980s has led to increased concentrations of poverty in black communities. Ever since blacks began migrating from the

South to fill factory jobs during World War I, there has been a high-poverty neighborhood in central-city Milwaukee (see “Defining Concentrated Poverty,” p. 2). This high-poverty neighborhood grew continuously in size between 1969 and 1989, with most of the expansion occurring in the 1980s (Jargowsky, 1997). (See Figures 1, 2, and 3, pp. 12-13, which show poverty rates by census tract in Milwaukee County for 1969, 1979, and 1989, respectively.)

Several factors may help to explain the growth of concentrated poverty in Milwaukee in the 1980s. First, the increase may have resulted from the rapid deindustrialization that occurred around the period 1979-1983. Second, despite the economic boom that took place in the latter part of the 1980s, the poverty rate in Wisconsin rose from 8.7 percent to 10.7 percent between 1979 and 1989. Normally, an increase in the overall poverty rate will raise the average poverty rate of each census tract, thus increasing the total number of high-poverty census tracts.

### **Economic Restructuring and Concentrated Poverty**

What are some of the factors that contribute to concentrated poverty? Sociologist William Julius Wilson (1987) has theorized that the disappearance of high paying industrial jobs and the flight of minority professionals from urban centers have led to high levels of poverty and unemployment among minority males in those centers and depleted the availability of working-adult role models for young people. Economist Paul Jargowsky (1997: 121) suggests that the disappearance of *unionized* industrial jobs from northern central cities, which had provided relatively high wages, has contributed to increases in concentrated poverty.

Many of these disappearing industrial jobs have been replaced with jobs in the service sector, where the structure tends to be bifurcated – with many jobs at the bottom requiring little formal education or training (e.g., fast-food workers, custodians) and many at the top requiring a great deal of education and training (e.g., doctors, lawyers, teachers, accountants). Poor people usually lack the requisite education and training to obtain high-wage jobs, and the low-wage service-sector jobs that they can get do not pay enough to support a family. Ironically, some point out that the successes of the civil rights movement have enabled more well-to-do minorities to settle in suburbs, leaving poor neighborhoods both with higher poverty rates and depleted of successful role models.

### **Recent Trends**

In a recent study, economist Paul Jargowsky (2003) found that concentrated poverty had declined dramatically across the country between 1989 and 1999, especially in the Midwest and South. Conditions in Wisconsin mirrored these larger trends. Between 1989 and 1999, the rate of concentrated poverty in Wisconsin declined from 19.3 percent to 11.2 percent. The total number of high-poverty census tracts in the state also fell, from 77 to 53 (see Table 1).

The improvements of the 1990s, however, were not enough to reverse the losses of the previous decade. As Table 1 shows, the total number of high-poverty tracts in Wisconsin rose sharply between 1979 and 1989, from 24 to 77 – more than a threefold increase. The same trend is found in Milwaukee County, as also shown in Table 1.

It is important to note that the 1990s economic boom boosted incomes for those at the bottom, especially in the second half of the decade (Dresser and Rogers, 2002). As a result, between 1989 and 1999, the poverty rate in Wisconsin dropped back down from 10.7 percent to its 1979 level of 8.7 percent. This may help to explain the decline in concentrated poverty in the state. In Milwaukee, however, the poverty rate decreased only slightly between 1989 and 1999. The decrease in concentrated poverty in Milwaukee has most likely resulted from people spreading themselves out more evenly across the city, not from declining poverty rates.

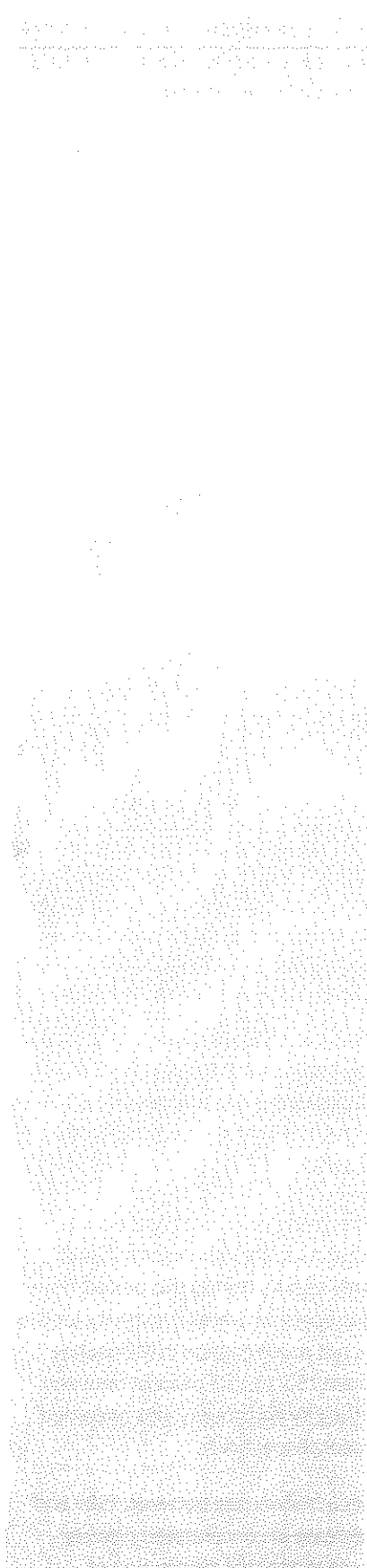
If the economic devastation of the 1980s was not offset by the improvements of the 1990s, the recession that began in March 2001 – accompanied by job losses and rising unemployment – has almost certainly made things worse. The impact of labor-market conditions on concentrated poverty suggests that the fate of people in high-poverty areas is tied to the overall economic performance of the nation (Wilson, 2003). Anecdotal evidence from food pantries and other agencies serving poor people in Milwaukee indicates that much of the ground gained in the 1990s may have been lost (Thomas-Lynn, 2003).

Table 1

**Number of High-Poverty Census Tracts in Milwaukee**

|                             | 1979  | 1989  | 1999  |
|-----------------------------|-------|-------|-------|
| Wisconsin                   | 24    | 77    | 53    |
| Milwaukee County            | 19    | 59    | 43    |
| Outside Milwaukee County    | 5     | 18    | 10    |
| Percent in Milwaukee County | 79.2% | 76.6% | 81.1% |

**Source:** Author's calculations from Decennial Census Data, 1980, 1990, 2000, U.S. Census Bureau



# Concentrated Poverty in Milwaukee

**M**ost of the decline in concentrated poverty in Wisconsin between 1989 and 1999 is due to changes in Milwaukee. As Table 1 shows, most of the state's high-poverty tracts are located in Milwaukee County, ranging from about 75-80 percent over the three periods we reviewed.

The nature of concentrated poverty in Milwaukee County differs from that in the rest of the state. Milwaukee is the only large city in Wisconsin. According to the 2000 census, there were about 1.5 million people in the four-county Milwaukee metropolitan area, constituting about 28 percent of the state's population.<sup>2</sup> The metropolitan area consists of Milwaukee County and Waukesha, Ozaukee, and Washington counties, the suburban "WOW" counties.

Milwaukee is also the only area in the state with a numerically large minority population. In 2000, the City of Milwaukee contained almost 600,000 people, of 37 percent were black and 12 percent were Hispanic. Of the state's nearly 305,000 black residents, about 73 percent lived in the City of Milwaukee and 76 percent in Milwaukee County. (The City of Milwaukee is contained entirely within Milwaukee County.) In contrast, the three WOW counties are mainly white. Waukesha County, the most populous of the three, was 95.8 percent white in 2000; the other two counties are even more heavily white. None of the WOW counties had a single high-poverty census tract in any of the three censuses considered here.

## Milwaukee's High-Poverty Neighborhood

Milwaukee has the dubious distinction of having the only large high-poverty neighborhood in the state. Figures 2, 3, and 4 (pp. 12-13) show the poverty rates for each census tract in Milwaukee County in 1979, 1989, and 1999, respectively. The figures show that the high-poverty neighborhood grew between 1979 and 1989, and then shrank again by 1999 – but notably, not back to its 1979 size.

As Table 2 shows, the rate of concentrated poverty in Milwaukee County skyrocketed between 1979 and 1989, growing more than fourfold. It then fell substantially, by almost half, between 1989 and 1999. To varying degrees, all

<sup>2</sup> Note that the Decennial Census provides population data for the year in which the census was conducted and income data for the prior year. This is why, for instance, we report population data for 2000 but poverty data for 1999.

U.S. cities experienced a decline of this type (Jargowsky, 2003). And yet, in 1999, Milwaukee's rate of concentrated poverty was still more than double the 1979 rate, probably representing the lingering legacy of deindustrialization.

Table 2 also indicates that the share of all census tracts in Milwaukee County that were high-poverty tracts increased substantially from 1979 to 1989. The share then fell somewhat between 1989 and 1999, but remained significantly above the 1979 share. This drop occurred during a period of overall population decline for the county and the city. Table 2 also shows that both the absolute number of people living in the county's high-poverty tracts, and the share of the total county population living in those tracts, went up dramatically from 1979 to 1989, then down again in 1999 – but again, remaining far above 1979 levels.

Table 2

**Milwaukee County Rates of Concentrated Poverty and High-Poverty Census Tracts, 1979-1999**

|                               | 1979    | 1989    | 1999    |
|-------------------------------|---------|---------|---------|
| Rates of Concentrated Poverty | 10.2%   | 47.4%   | 24.4%   |
| High-Poverty Tracts           |         |         |         |
| Number of Tracts              | 19      | 59      | 43      |
| Share of Total Tracts         | 6.4%    | 19.8%   | 14.0%   |
| Population                    | 31,782  | 140,825 | 77,468  |
| Share of Total Population     | 3.3%    | 14.7%   | 8.2%    |
| Total Tracts                  | 297     | 298     | 308     |
| Total Population              | 964,988 | 959,275 | 940,164 |

**Source:** Decennial Census, 1980, 1990, 2000, and author's calculations from data, U.S. Census

As noted earlier, the expansion in size of Milwaukee's high-poverty neighborhood between 1979 and 1989 may have resulted in part from the massive reduction in high-wage industrial employment in the city. In 1970, 41 percent of inner-city workers in Milwaukee held industrial jobs; by 2000, this share had fallen to just 19 percent (Levine, 2002).

The contraction in size of Milwaukee's high-poverty neighborhood between 1989 and 1999 is more difficult to understand. As Table 3 shows, the overall poverty rate in the City of Milwaukee fell only slightly during this period, from 22.1 to 21.3 percent. This occurred despite a record of overall prosperity for the nation and the rest of Wisconsin. There was not much change in Milwaukee County either, where the poverty rate fell from 15.9 to 15.3 percent between 1989 and 1999. The 1999 poverty rates for the city and county also remained above the 1979 levels of 11.8 and 10.2 percent, respectively.

Given the very slight change in poverty rates in Milwaukee between 1989 and 1999, how can we explain the significant decrease in concentrated poverty during this period? First, we look at changes in the spatial distribution of



Milwaukee's residents. During economic restructuring, Milwaukee's inner city was largely left behind and has become depopulated (Levine, 2002). This is shown in Figure 5 (p.14), which traces population growth and decline between 1980 and 2000 by census tract for the four-county metropolitan area. As the figure indicates, the tracts showing population losses over this period were in Milwaukee County, and most tracts in Milwaukee (both city and county) showed decline. Conversely, most tracts in the three suburban WOW counties showed population increases.<sup>3</sup>

Table 3

**Poverty Rates in Milwaukee County and the City of Milwaukee**

|                   | 1979  | 1989  | 1999  |
|-------------------|-------|-------|-------|
| Milwaukee County  | 10.2% | 15.9% | 15.3% |
| City of Milwaukee | 11.8% | 22.1% | 21.3% |

**Source:** Decennial Census, 1980, 1990, 2000, U.S. Census Bureau

Second, we look at changes in the distribution of poverty throughout the area. As a comparison of Figures 3 and 4 shows, the total number of high-poverty tracts in Milwaukee County declined between 1989 and 1999. However, the figures also show that the number of tracts in which 20-40 percent of residents lived in poverty increased. Figure 6 (p. 14), showing changes in the poverty rate by census tract in Milwaukee County between 1989 and 1999, further illustrates this phenomenon. Most tracts near the city's core underwent a decrease in poverty rates, while many outlying tracts saw an increase in poverty rates. Notably, almost no census tracts outside Milwaukee County showed an increase in the poverty rate, except for a few tracts near downtown Waukesha, and none of these reached high-poverty levels.

The data suggest that poor people have been moving out of the inner city, many of them to sections northwest of the central city. Understandably, they have been fleeing high-poverty conditions, and they may be moving closer to jobs that are increasingly located in the suburbs.<sup>4</sup> The movement of poor residents away from high-poverty areas may have brought some census tracts below the 40 percent high-poverty mark. This explains why Milwaukee experienced a reduction in concentrated poverty between 1989 and 1999, despite the absence of declining poverty rates.

<sup>3</sup> Overall, the population of the metropolitan area increased during this period, since population increases in the three suburban counties more than offset the decrease in Milwaukee County.

<sup>4</sup> This may reflect a national trend, observed by Jargowsky (2003), that those in the poorest neighborhoods benefited disproportionately from the 1990s boom. Gentrification may also have played a role (Thomas-Lynn, 2003).

## The Impact on Milwaukee's Black Community

Although there are some individual high-poverty census tracts in Milwaukee County, Milwaukee's high-poverty neighborhood is contained entirely within the City of Milwaukee. As Figure 4 shows, this high-poverty neighborhood is located in the north and west sides of the city.<sup>5</sup> It is populated mainly by black residents.

It is important to remember that this high-poverty neighborhood is not coincident with the city's black community; there are substantial numbers of black residents living in other areas of the city who are not poor. Moreover, most black residents do not live in high-poverty census tracts. However, conditions of concentrated poverty in Milwaukee have a disproportionate impact on black residents. In 2000, black people represented 24 percent of Milwaukee County's total population, but comprised about 77 percent of county residents living in high-poverty census tracts. Nearly 26 percent of the county's black residents lived in high-poverty tracts, compared to only 8.2 percent of the total county population.

The Hispanic population has been more successful than the black population in escaping high-poverty conditions altogether. Milwaukee's Hispanic residents are concentrated on the South Side, which contained a high-poverty neighborhood in the 1990 census (see Figure 3).<sup>6</sup> However, neither the 1980 or 2000 census found any high-poverty census tracts in this neighborhood. In 2000, Hispanics represented 8.8 percent of the population of Milwaukee County, but just 3.6 percent of those residing in high-poverty census tracts.

High rates of concentrated poverty are likely related to lack of access to jobs. As Table 4 shows, the unemployment rate among black residents of the City of Milwaukee remains extremely high. Between 1990 and 2000, the unemployment rate fell by about two percentage points; most of this reduction was due to improved conditions for black women. However, the overall rate of 16.6 percent in 2000 was still well above the overall 1980 rate of 13.9 percent. And it was far above the 2000 rate for all city residents of 9.4 percent.

<sup>5</sup> In 1999, this neighborhood was roughly bordered by Holton Street on the east, Ring Street on the north, North 47<sup>th</sup> Street on the west, and West Saint Paul Avenue on the south. These borders are only approximate, because the high-poverty neighborhood is not perfectly rectangular.

<sup>6</sup> The 1989 Latino high-poverty neighborhood had the following approximate boundaries: West Pierce Street on the north, South 23<sup>rd</sup> Street on the west, West Becher Street on the south, and South 1<sup>st</sup> Street on the east.

Table 4

**Black Unemployment in the City of Milwaukee**

|       | 1980  | 1990  | 2000  |
|-------|-------|-------|-------|
| Men   | 16.0% | 19.7% | 18.7% |
| Women | 11.9% | 17.6% | 15.1% |
| All   | 13.9% | 18.6% | 16.6% |

**Source:** Decennial Census, 1980, 1990, 2000, U.S. Census Bureau

The racially disparate impact of concentrated poverty in Milwaukee is reflected in the state as a whole. In 1999, 31.8 percent of black Wisconsin residents were poor, and 32.1 percent of these lived in high-poverty census tracts. In contrast, 6.5 percent of white residents of the state were poor, and just 5.8 percent of these lived in high-poverty tracts.

### New Census Data Suggesting Worsening Poverty

New Census data, shown in Table 5, may show how the recent recession and the accompanying increase in unemployment rates have affected poverty rates. These data suggest that the rate of concentrated poverty may have increased since 1999.<sup>7</sup>

Table 5

**Poverty Rates in Wisconsin, Milwaukee County, and the City of Milwaukee, 2000-2002**

|                   | 2000  | 2001  | 2002  |
|-------------------|-------|-------|-------|
| Wisconsin         | 8.9%  | 9.8%  | 9.7%  |
| Milwaukee County  | 13.3% | 15.5% | 16.2% |
| City of Milwaukee | 18.8% | 19.2% | 22.0% |

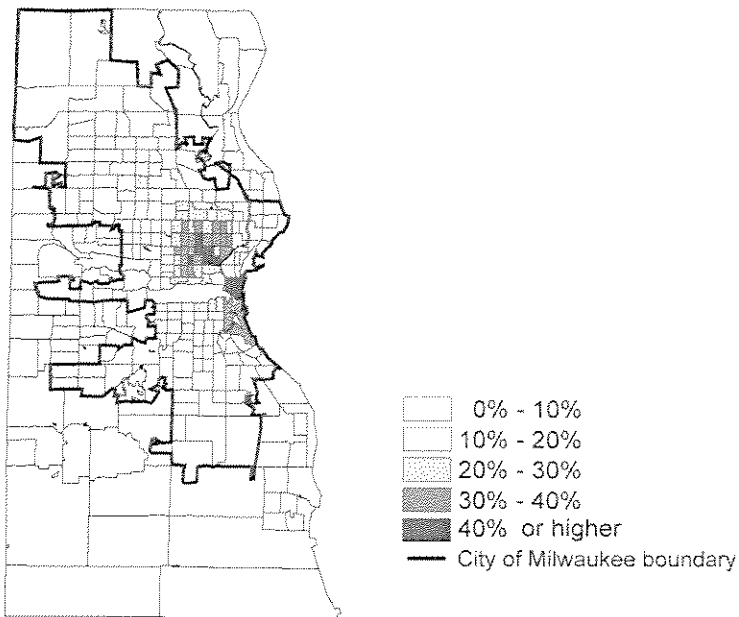
**Source:** American Community Survey, U.S. Census Bureau

<sup>7</sup> The data are from the American Community Survey (ACS). Estimates are prone to measurement error, and do not provide direct evidence of what happened to concentrated poverty since 1999. The ACS home page is at <http://www.census.gov/acs/www/>.

# Figures

Figure 1

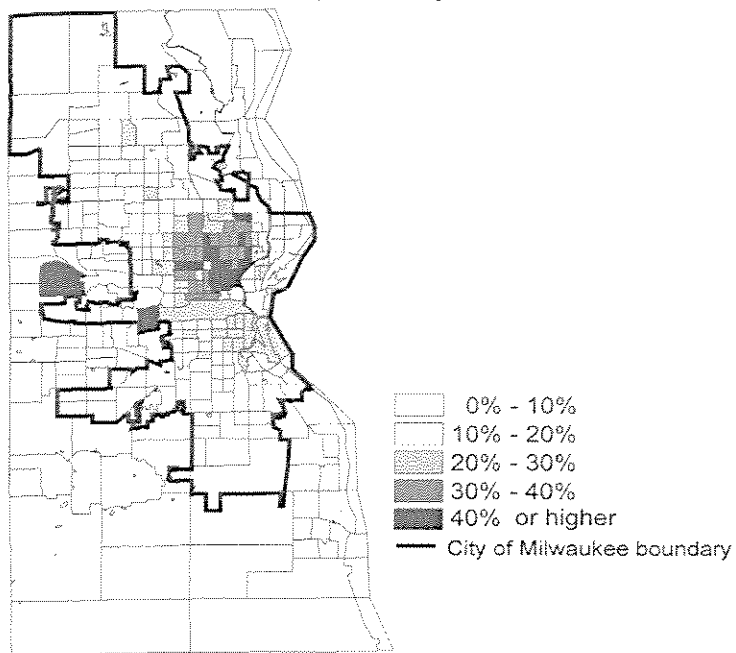
Milwaukee County, Poverty Rate by Census Tract, 1969



Source: 1970 Decennial Census, U.S. Census Bureau

Figure 2

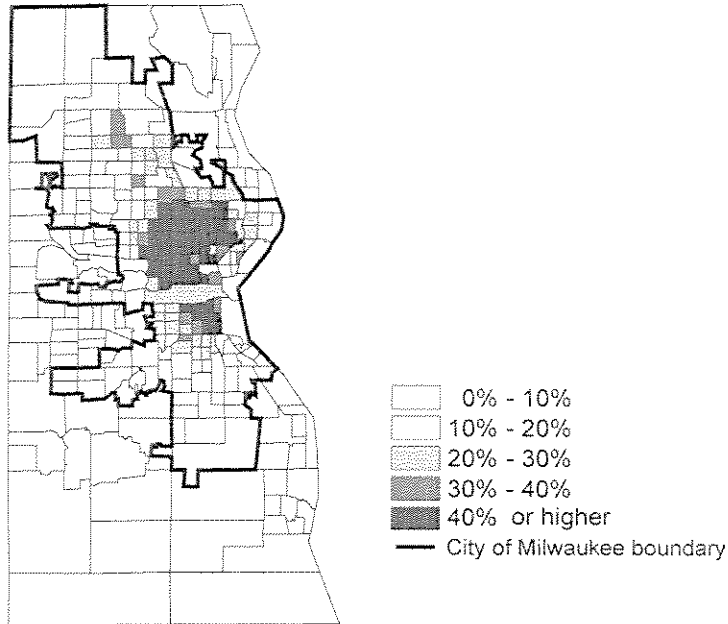
Milwaukee County, Poverty Rate by Census Tract, 1979



Source: 1980 Decennial Census, U.S. Census Bureau

Figure 3

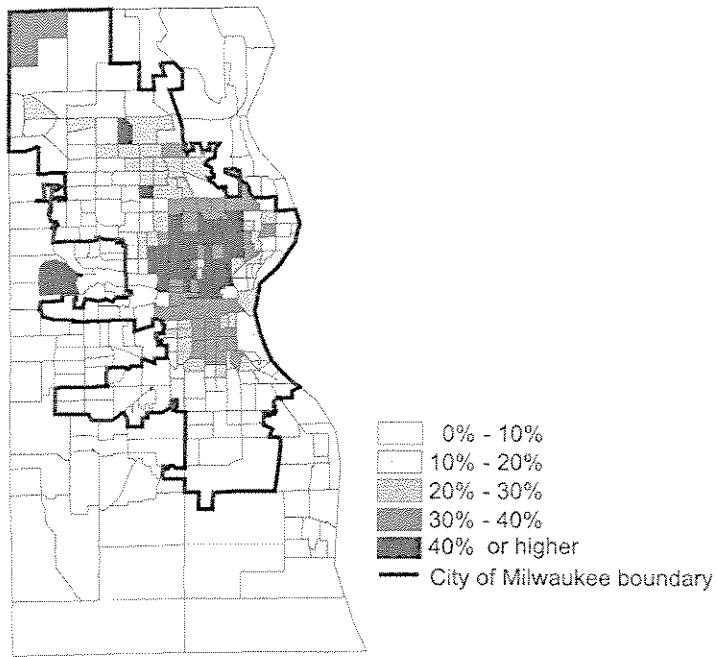
**Milwaukee County, Poverty Rate by Census Tract, 1989**



Source: 1990 Decennial Census, U.S. Census Bureau

Figure 4

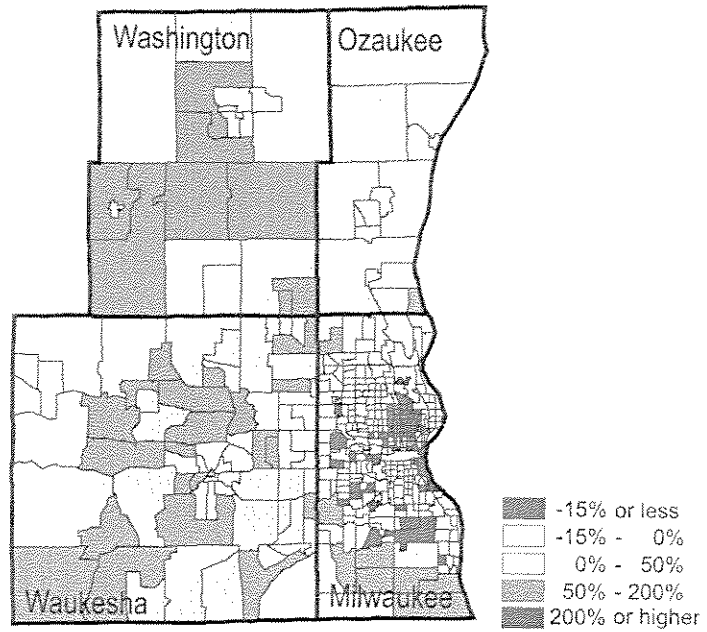
**Milwaukee County, Poverty Rate by Census Tract, 1999**



Source: 2000 Decennial Census, U.S. Census Bureau

Figure 5

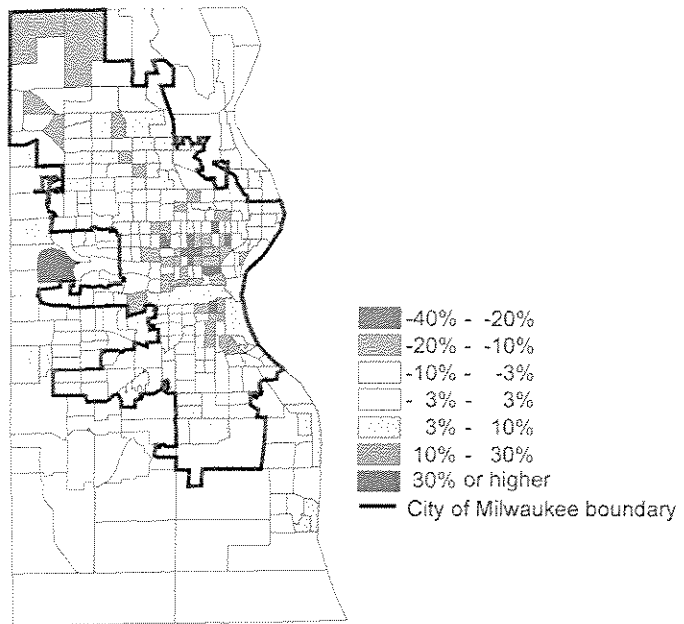
**Milwaukee Metropolitan Area Population Growth, 1980–2000**



Source: 1980 and 2000 Decennial Census, U.S. Census Bureau

Figure 6

**Milwaukee County, Poverty Rate by Census Tract, Percentage Point Change, 1989–99**



Source: 1990 and 2000 Decennial Census, U.S. Census Bureau



# Conclusion and Recommendations

As this report shows, concentrated poverty continues to be a major problem in Milwaukee, particularly for black central-city residents. (Other parts of the state are also at risk; see Appendix.) Although concentrated poverty decreased during the 1990s, Milwaukee's overall poverty rate dropped only slightly during the same time period. This suggests that poor residents have moved away from high-poverty areas in the inner city, spreading themselves more evenly across the city. In other words, Milwaukee's impoverished community has shifted geographically, but its overall size has not declined much. Many Milwaukee residents have not regained the economic footing lost when the city's manufacturing base eroded in late 1970s and early 1980s. It is also likely that the recent recession has worsened conditions of concentrated poverty in Milwaukee.

Despite current conditions of fiscal austerity, it is imperative that local and state policy makers treat the problem of concentrated poverty as a top priority. Strategies that can help to alleviate concentrated poverty include:

## **Connecting central-city residents to quality employment opportunities**

With the decline of Wisconsin's manufacturing base, workers require additional education and skills training in order to obtain family-supporting jobs. An ongoing commitment to the state's technical college and university systems, and stronger financial support for students, will enable urban residents to access the educational programs they need. Also, sectoral partnerships such as the Milwaukee-based Wisconsin Regional Training Partnership play a critical role in linking urban residents to good-paying, high-benefit jobs. Building on the successes of these partnerships will further improve urban residents' career prospects. Finally, supports such as transportation and child care are vital for enabling low-income individuals to participate in the labor market. Expanding access to these supports is another key element in reducing poverty and concentrated poverty in urban areas.

## **Raising living standards for low-income workers**

Many low-wage workers do not earn enough to bring their families above the poverty level. Recently, the Governor's Minimum Wage Advisory Council recommended increasing Wisconsin's minimum wage from \$5.15 to \$6.50 per hour over a two-year period. A higher minimum wage would pull thousands of Wisconsin workers out of poverty, and likely would reduce concentrated poverty as well. Another

effective tool for reducing poverty is the Earned Income Tax Credit (EITC), which subsidizes the earnings of low-income households. Currently, the amount of EITC assistance available to poor families is modest. Expanding the EITC would reduce both poverty and concentrated poverty.

**Promoting urban development policies that improve living standards in central cities**

Throughout the nation, central cities have been marked by deteriorating infrastructure, declining public services, and the exodus of quality jobs. Through federal housing programs such as HOPE VI, some urban areas have made real strides in developing high-quality, mixed-income residential housing in urban centers. Also, through revenue sharing, central cities can tap into resources from suburban communities in order to strengthen local schools and other public infrastructure. Finally, it is crucial that cities actively encourage the creation and retention of quality employment within their inner rings. By lessening poverty and concentrated poverty, these strategies will improve the quality of life for central-city residents – and ultimately, for all residents of our state.



# Appendix: Concentrated Poverty in Wisconsin, Outside Milwaukee County

The problem of concentrated poverty in Wisconsin is not unique to Milwaukee. Deindustrialization and other factors have also produced high-poverty neighborhoods in smaller urban areas such as Beloit and Racine, and the decline of the Great Lakes port at Superior has caused urban blight in that city. In addition, high rates of poverty continue to prevail on Indian reservations in Wisconsin.

Table 6 shows areas of concentrated poverty in Wisconsin that lie outside of Milwaukee County. Concentrated poverty in these areas has been due largely to the following factors: the deindustrialization and decay of old urban centers, the presence of impoverished minority populations in some of these urban centers, and the continuing impoverishment of Native Americans. (The first two of these three factors are at work in Milwaukee County as well.) In addition, there are some concentrations around the state of poor college students, who typically experience a brief period of poverty while they are in school.

## Urban Poverty Outside of Milwaukee

Wisconsin does not have any large cities outside Milwaukee. Madison, the second-largest city in the state, has no high-poverty census tracts except in student-dominated areas. Three smaller cities in Wisconsin – Superior, Beloit, and Racine – have had some concentrations of poverty near their urban cores. In the case of the latter two, this poverty is associated with a (largely black) minority population.

Historically, the City of Superior, which is part of the Duluth (Minnesota)-Superior metropolitan area, has had an economy based largely on Great Lakes shipping and the grain elevators near the city's port on Lake Superior. In recent years, however, much of the area near the port and the grain elevators – in the northern part of the city – has become blighted. In 1989, one census tract in this part of the city had a poverty rate of 44.2 percent. In 1999, a neighboring tract, a smaller one immediately to its south, had taken its place as the city's lone high-poverty tract, with a poverty rate just over 40 percent. The vast majority of people in Superior are white.

The City of Beloit has also suffered from some deindustrialization, culminating in the closing of the Beloit Corporation (a producer of papermaking machinery) in 2000. In 1989, there was a single census tract located in downtown Beloit meeting the definition of high poverty, with a poverty rate of 41.7 percent. At

the time, the tract was 22.6 percent black, and the poverty rate among its black residents was 65.2 percent. In 1979, and in 1999, the city had no tracts meeting the definition of high poverty.

The City of Racine has also fallen victim to the loss of high-paying industrial jobs, as major firms located there have downsized or moved their operations. As in Beloit, a high rate of poverty was found in a single census tract near the

Table 6

**Number of High-Poverty Census Tracts in Wisconsin**

|                             | 1979  | 1989  | 1999  |
|-----------------------------|-------|-------|-------|
| Wisconsin                   | 24    | 77    | 53    |
| Milwaukee County            | 19    | 59    | 43    |
| Outside Milwaukee County    | 5     | 18    | 10    |
| Percent in Milwaukee County | 79.2% | 76.6% | 81.1% |

**Counties Containing at Least One High-Poverty Census Tract**

|                                       | 1979 | 1989 | 1999 |
|---------------------------------------|------|------|------|
| <b>Urban Poverty</b>                  |      |      |      |
| Douglas (contains Superior)           | 1    | 1    | 1    |
| Milwaukee (County)                    | 19   | 59   | 43   |
| Racine                                | 0    | 2    | 1    |
| Rock (contains Beloit and Janesville) | 0    | 1    | 0    |
| <b>Native American Poverty</b>        |      |      |      |
| Ashland (Bad River Reservation)       | *    | 1    | 0    |
| Menominee (Menominee Reservation)     | *    | 1    | 0    |
| Vilas (Lac de Flambeau Reservation)   | *    | 1    | 0    |
| <b>Student Neighborhoods</b>          |      |      |      |
| Brown (UW-Green Bay)                  | 0    | 0    | 1    |
| Dane (UW-Madison)                     | 3    | 4    | 3    |
| Dunn (UW-Stout)                       | 0    | 1    | 0    |
| Eau Claire (UW-Eau Claire)            | 0    | 2    | 1    |
| La Crosse (UW-La Crosse)              | 0    | 2    | 2    |
| Winnebago (UW-Oshkosh)                | 0    | 2    | 1    |

\* The Census Bureau did not collect data for these areas in 1979.

**Source:** Author's calculations from Decennial Census Data, 1980, 1990, 2000, U.S. Census Bureau

center of the city. In 1989, this tract had a poverty rate of 45.1 percent. The tract was 74.7 percent black, and 49.3 percent of its black residents were poor. In 1979, and in 1999, the city had no tracts meeting the definition of high poverty.

These data illustrate that, as is the case in Milwaukee, black residents of the state as a whole are disproportionately affected by concentrated poverty. In 1999, 31.8 percent of the state's black residents were poor, and 32.1 percent of these lived in high-poverty census tracts. By contrast, 6.5 percent of white Wisconsin residents were poor, with just 5.8 percent of these living in high-poverty tracts.

## Concentrated Poverty on Indian Reservations

Native Americans, in Wisconsin as elsewhere, have higher levels of poverty than the population at large. In the last three censuses (1980, 1990, and 2000), the only high-poverty, rural, Native-American-dominated census tracts were found by the 1990 census, reflecting poverty levels for 1989. All of these tracts were in Northern Wisconsin.

The first such tract was in Menominee County (and encompassing the entire county). This county/tract is a Menominee Indian Reservation, and in 1990 its population of 3,890 was 90 percent Native American. In 1989, the county/tract had a poverty rate of 48.7 percent.

The second tract, in Vilas County, is coincident with the Lac de Flambeau (Lake Superior Chippewa) Indian Reservation. This tract had a poverty rate of 43.4 percent in 1989. In 1990, 61.9 percent of the 1,840 residents of this tract were Native Americans.

The third tract, in Ashland County, is where the Bad River (Lake Superior Chippewa) Indian Reservation is located. In 1989, this tract had a poverty rate of 41.3 percent. In 1990, 65 percent of the tract's 1,263 residents were Native Americans.

## Student Neighborhoods

There are also some poor student neighborhoods in the state, in Eau Claire, Green Bay, La Crosse, Madison, Menomonie, and Oshkosh, near the respective campuses of the University of Wisconsin (the Stout campus in the case of Menomonie). These concentrations of poverty do not present a policy concern nearly as serious as urban inner-city poverty, since students tend to move out of these neighborhoods after they graduate from school.

## Other Pockets of Poverty

There is also a census tract in Racine County that is largely coincident with the Southern Wisconsin Center, a home for the developmentally disabled whose residents presumably do not work or work at very low-skilled jobs, and therefore have very low incomes. This tract showed poverty rates exceeding 40 percent in both 1989 and 1999.

Madison, which is a well-to-do city overall, has its share of poor people other than students. While only the student-dominated areas near the city center contain high-poverty tracts, this does not mean that other poor people are evenly distributed throughout the city. In fact, the southern and northwestern parts of the city have higher levels of poverty than the city as a whole, although they do not break through the 40 percent threshold. These areas also have higher proportions of black people than do other parts of the city. Similar uneven patterns of distribution of poor people exist in other urban areas of the state, often with higher concentrations near urban centers.

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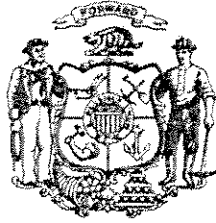
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## **Center on Wisconsin Strategy**

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Tuesday, December 16, 2003

Contact: Jessica Erickson, Governor's Office, 608-261-2156

## Governor Announces Appointments of Business, Labor and Economic Experts to Minimum Wage Advisory Council

*Raising the Minimum Wage 'A Matter of Basic Fairness,' Doyle says*

Governor Jim Doyle announced today 17 appointments to the Minimum Wage Advisory Council convened by DWD Secretary Roberta Gassman, including leaders from the business community, labor organizations, the university system and both houses of the legislature. The Council is charged with recommending to the Governor and the Secretary what an appropriate increase in the minimum wage should be.

A major goal of the Governor's Grow Wisconsin plan is to increase average income to above the national average by the end of the decade, by increasing wages at all levels. As part of this effort, he has called for an increase in Wisconsin's minimum wage.

"Raising the minimum wage will help more than 160,000 Wisconsin workers help make ends meet for their families," said Governor Doyle. "It puts money in the hands of consumers, it is an incentive to stay in the workforce instead of going on welfare, and it helps lift many families out of poverty. It's a matter of basic fairness."

The appointees are:

- Deborah Blanks, Milwaukee, Chief Executive Director of the Social Development Commission of Milwaukee
- James Buchen, Madison, Vice President of Government Relations for Wisconsin Manufacturers and Commerce
- Sheila Cochran, Milwaukee, Secretary-Treasurer of the Milwaukee Labor Council
- Craig Culver, Prairie du Sac, Co-founder of Culver's Restaurants
- Laura Dresser, Madison, Research Director for Center on Wisconsin Strategies (COWS) at the University of Wisconsin-Madison
- Ed Lump, Madison, President and CEO of the Wisconsin Restaurant Association
- Ann McNeery, Sun Prairie, Chair of the Standing Committee on Community Services of the AFL-CIO, Communications Workers of America (CWA) 4671
- Phil Neuenfeldt, Milwaukee, Secretary-Treasurer for the Wisconsin State AFL-CIO
- Dian Palmer, Madison, President of the Service Employees International Union (SEIU)
- Brandon Scholz, Madison, President and CEO of the Wisconsin Grocers Association
- Bill Smith, Madison, State Director for the Wisconsin Chapter of the National Federation of Independent Business (NFIB)

- MORE -

- Dan Welch, Milwaukee, President of Local 1444 United Food and Commercial Workers (UFCW)
- Representative Stephen Nass, Palmyra, Chair of the Assembly Labor Committee, represents Assembly District 31
- Representative Christine Sinicki, Milwaukee, Chair of the Assembly Labor Committee, represents Assembly District 20
- Senator Dave Hansen, Green Bay, Senate Labor Committee, represents Senate District 30
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"This new council will have members that bring a diversity in perspectives and experience as labor and business representatives; business owners and employers; an economist; social service organizations and citizens of Wisconsin," said Governor Doyle. "I am confident that they will arrive at a fair minimum wage that reflects economic reality, and is consistent with Wisconsin's values."

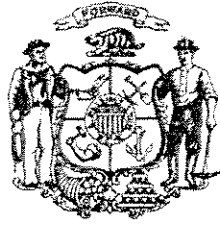
Governor Doyle also announced today that Micabil Diaz-Martinez, Madison, Division Administrator for Wisconsin Department of Workforce Development, Division of Equal Rights will serve as the non-voting chair of the council.

The 17-member Minimum Wage Advisory Council will review the current minimum wage and propose an appropriate increase to the Governor and the Secretary by spring. The wage council's recommendations will be advanced through the administrative rule process.

Many Wisconsin families are dependent on jobs that pay the minimum wage, yet a family with two wage earners working full-time at the current minimum wage will only earn a combined family income of \$21,424 a year. A single parent working full-time at minimum wage earns only half that amount (\$10,712). The current minimum wage, \$5.15 per hour, has not been increased since 1997. Illinois recently raised their \$5.15 minimum wage to \$6.50 per hour.

"I am pleased that these fine people have agreed to serve on the Minimum Wage Advisory Council," Governor Doyle said. "A fair minimum wage helps workers provide for their families, provides strong incentives to remain in the labor market, and helps buoy our local communities that depend on consumer spending."





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## Raising the Minimum Wage: Background Facts and Figures

- The current minimum wage in Wisconsin is \$5.15/hr.
- The governor's Minimum Wage Advisory Council recommended increasing the minimum wage to \$5.70 after October 1, 2004 and to \$6.50 after October 1, 2005.
- Illinois recently passed a minimum wage increase, to \$5.50 in January 2004 and to \$6.50 in January 2005.
- 12 states have a minimum wage higher than the federally mandated level of \$5.15/hr.
- The minimum wage has been declining in value and purchasing power for decades. In 1970, the minimum wage had the value of \$8 an hour in 2003 terms.
- Under the current minimum wage, a full-time, year-round worker would have earnings at 70% of the federal poverty line for a family of three.
- **Raising the minimum wage provides an earnings boost to a substantial number of low-wage workers.** About **200,000 minimum-wage earners** in Wisconsin would get an immediate raise if the minimum wage were increased. Additionally, **about 110,000 workers** who make just over the minimum wage would also get a raise because of the "spillover effect."
- **Minimum wage workers are not just college students and teens who need spending money.** They are largely adult women, disproportionately people of color, and many of them rely on their earnings to support a family.

Of the workers in Wisconsin who would benefit from this proposal:

- 80% are over the age of 18;
- 65% are women;
- More than 1/3 are heads of their households; and
- 70% work half-time or more.

- **Minimum wage workers are concentrated in service and retail jobs.** 75% of the workers who would be affected by a minimum wage increase work in the leisure and hospitality industries.

Occupations that include many minimum wage jobs:

**Food prep** (not just waiters and waitresses, also counter workers, cooks)

**Sales/retail** (service station attendants, convenience store clerks, grocery store clerks, etc.)

**Personal care and services** (childcare workers, ushers, gambling attendants)

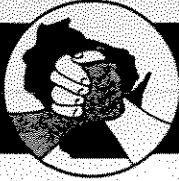
**Production workers** (laundry, dry cleaning, sewing and knitting, bakery)

**Office/administrative support**

**Maintenance workers** (building cleaning, groundskeepers, etc.)

**Health care** support workers

- **Increasing the minimum wage does not result in fewer jobs for entry level workers.** Usually there is no effect on the total number of jobs available. Researchers have shown that the evidence of job loss is inconclusive. Raising the minimum wage in 1996-96 did not result in an exodus of jobs from Wisconsin.
- **Increasing the minimum wage makes good economic sense.** The proposed increase would inject \$175 million more per year into local economies. Workers would likely spend their increased earnings on food and consumer goods. Increasing the earnings of low-wage workers will reduce the need for state and federally public assistance programs which are funded with taxpayer dollars.



April 29, 2004

## **WHY INCREASE THE STATE MINIMUM WAGE?**

### **Administrative Rule CR 04-036 Proposed Minimum Wage Increase**

The Minimum Wage Advisory Council has recommended an increase in the state minimum wage for adults to \$5.70 per hour, when the proposed administrative rule becomes effective, and then to \$6.50 per hour on October 1, 2005. Minors under age 18 will get an increase to \$5.30 and then \$5.90. The Department of Workforce Development has scheduled hearings on the above Administrative Rule CR 04-036, which also includes separate increases for workers in specific areas such as agriculture. It is estimated that some 200,000 Wisconsin workers will directly benefit from the proposed increases.

- The current minimum wage at both the federal and state level is \$5.15 per hour. At that rate, a minimum wage worker makes only \$10,712 per year working full-time. Low-wage workers should not be living in such extreme financial hardship.
- Some argue that an increase mainly benefits teenagers and upper-income part-time workers, instead of low-wage workers. In fact, a majority of the workers who will benefit are adults. The increase will be especially helpful in boosting the earnings of women and people of color who work in minimum wage jobs in greater numbers.
- More than two-thirds of the workers who will benefit are employed more than half-time, and nearly one-third are working full time. It is low-income families who will definitely be helped by the increase.
- In addition to the 200,000 workers who will directly benefit from the increase (those earning between \$5.15 and \$5.70 per hour), there are another approximately 110,000 workers who earn slightly above the new minimum

and will benefit from the “spillover effects” of an increase in the minimum wage.

- In 2004, the value of the minimum wage will fall to its lowest inflation-adjusted level of all time: \$5.15 in 2004 buys *less* than the \$3.35 per hour minimum wage did in 1989. Given the falling value of the minimum wage, and inaction by the Bush administration, 12 other states have established minimum wages above the federal level. Illinois raised its minimum wage to \$5.50 in January 2004 and another increase to \$6.50 is set for January 2005.
- The poverty level for a family of three is \$15,260. To meet that income level and keep a family out of poverty, a year-round worker should earn a minimum wage of at least \$7.34 per hour—over \$2.00 more per hour than the current federal and state minimum—so the proposed increase is very reasonable.
- Raising the minimum wage in the past has not proven to cause any systematic, significant job loss based on studies done nationally after the 1996-97 increase. Statistics in Wisconsin showed no job loss; in fact, the unemployment rate fell from 3.6% in September 1997 to 3.3% in April 2000, which covers the period immediately after the last increase. The minimum wage has been stuck at \$5.15 for seven years.
- A minimum wage increase directly stimulates the local economy because workers spend the additional income on necessities for themselves and their families.

Sources: *Notice of Hearing on CR 04-036* by the Wisconsin Department of Workforce Development; *Raising the Floor: Who Would Benefit from a Minimum Wage Increase in Wisconsin*, by the Center on Wisconsin Strategy, September 2003; *Minimum Wage: Frequently Asked Questions* by the Economic Policy Institute (EPI); *Battle Over the Minimum Wage* editorial by Milwaukee Journal Sentinel, October 8, 2003.

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[More detailed information on the proposed administrative rule to increase the state minimum wage can be found on the Department of Workforce Development’s website at [www.dwd.state.wi.us](http://www.dwd.state.wi.us). Links to the proposal, scheduled hearings, and other information on the minimum wage are found on the home page in the box entitled “Minimum Wage Initiative”.]