

## **Shrinking Incomes: What it Means for the Coulee Region**

Perhaps you've seen the news showing hundreds of people waiting in line at a recent jobs fair designed to connect applicants with employers. The line snakes outside the building, around the corner and down the sidewalk. Those looking for work represent all genders, races and ages. Some are dressed in suits or skirts, others in jeans or sweats. What they share is the need for sufficient income to support themselves and their families.

**We are in the midst of a weak and fragile recovery, with unemployment grinding on at levels not seen in a generation.** The aftermath of the Great Recession is obvious in the daily lives of well over a quarter-million Wisconsin workers who can't find work or can't get the hours of work they need. The labor market is still weak, and unemployed workers are still facing long lines to get into jobs.

What is a "Recession" and how does it affect us? A recession is a period of general economic decline; typically defined as a decline in GDP (gross domestic product) for two or more consecutive quarters. A recession is typically accompanied by a drop in the stock market, an increase in unemployment, and a decline in the housing market. A recession is generally considered less severe than a depression, and if a recession continues long enough it is often then classified as a depression. There is no one obvious cause of a recession, although overall blame generally falls on the federal leadership, often either the President himself, the head of the Federal Reserve, or the entire administration. According to the U.S. Census, this recession began in December 2007 and ended in June 2009.

### **With a recession come many concerns:**

- **Wages:** A crippling labor market shifts bargaining power to employers. Workers have little leverage to seek raises. When adjusted for inflation, pay was nearly two percent less in August than it was a year earlier, according to the Labor Department. "People are much more compliant and willing to take extra work assignments because they're afraid," said Carl Van Horn of Rutgers University's Center for Workforce Development.
- **Young People:** Breaking into the job market is increasingly hard for high school and college graduates. Businesses aren't creating many jobs, and workers who have jobs are holding on to them. That leaves young people with few openings for which to apply. To find work, new college graduates have to settle for lower pay and jobs that don't require a bachelor's degree. That's painful for those who took on big debts to pay for their college education. Rutgers University researchers found college graduates hired in 2009 and 2010 earned ten percent less than those who found jobs in 2006 and 2007, before the Great Recession.
- **Baby Boomers:** Aging boomers are less likely to lose their jobs than younger workers. But when they do, they have a tougher time finding new ones. Would-be employers tend to choose younger, less costly applicants. Some fear that older workers will bolt for a better-paying job once they can. In a survey of the unemployed, the Rutgers researchers found that 80 percent of those older than 50 have been out of work for more than a year. Many have drained their retirement savings and lack health insurance. Nearly half plan to apply for Social Security benefits earlier than they had intended to.
- **Underemployed:** In September, nearly 9.3 million Americans had to settle for part-time work even though they wanted full-time jobs. That was up 440,000 from August. An additional 2.5 million want to work but have given up looking. Add those part-timers to the workforce dropouts and the unemployed and nearly 16.5 percent of working-age Americans want full-time work and can't find it.

- **Small Business:** Unemployment, job insecurity and dwindling wages are preventing consumers from spending freely. Many big companies can turn to fast-growing markets overseas to compensate for slumping U.S. sales, but most small businesses can't. Small companies surveyed by the National Federation of Independent Business have cited weak sales, rather than perennial complaints like high taxes and burdensome regulations, as their No. 1 problem.
- **Government Budgets:** High unemployment squeezes government finances in at least two ways. Lost jobs mean governments collect less tax revenue and they have to spend more on unemployment benefits, food stamps, and other anti-poverty programs. The federal governments tax collections this year are expected to fall to the lowest level since 1950 as a percentage of the economy.

Enrollment in Social Security's disability program has shot up by more than 1 million people, or nearly 16 percent, since the recession struck in 2007. In part, that's because those who can't find work and are disabled are seeking government benefits in order to survive. Local governments and school districts are also in tough shape. They've been cutting services and jobs for the past two years.

- **Housing:** The unemployment crisis is helping depress the housing market. Many homeowners now owe more on their mortgages than their houses are worth. Others can't afford to sell their homes and trade up to new ones. And a backlog of foreclosed homes is keeping supplies high and prices low. Not even record-low mortgage rates have helped. "It used to be that housing led the recovery, and jobs would come after," said Lisa Ann Sturtevant, a public policy professor at George Mason University. "It has to go the other way now. The jobs have to come first."

According to Couleecap's Housing Specialist, the typical client coming to Couleecap seeking foreclosure assistance is either underemployed or unemployed. The underemployed client may have had to take a pay cut at their present job or take a new job which pays less. There are several clients that had to go on disability, had a spouse pass away or were divorced, permanently reducing their income. They have no savings or never had savings even when they had better employment. They have mortgage payments they can no longer afford so they've stopped paying them. Most people have a lot of other debt such as car payments, credit cards, personal loans, etc. Payments on these items are past due and they are behind on other bills like utility payments and phone bills.

Additionally, many people don't necessarily cut out non-essential items like cable television or cell phones and have not begun to use an emergency crisis budget. A crisis budget is one that should cut out any non-essential items and look for ways to save money. When the crisis is over they can go back to their regular budget and spending how they used to, get cable television hooked up again, etc. More realistically though many people have no idea what they spend. Couleecap has their clients fill out a budget sheet in their application and they often will tell us "I don't know what I spend." Not knowing or realizing how they spend their money is a part of the problem and that's why we often do budget counseling.

**Additional concerns:** In Couleecap's four-county service area the poverty rate has increased dramatically over the last ten years. The following table lists U. S. Census 2000 and 2010 poverty data. All of the percentages are based on the total population of each county.

Poverty Data	Crawford	La Crosse	Monroe	Vernon	Wisconsin	
Number of People of all ages in Poverty	2000	1,681 (10.2%)	10,841 (10.7%)	4,774 (12.0%)	3,918 (14.2%)	451,538 (8.7%)
	2010	2,630 (15.8%)	14,674 (12.8%)	5,450 (12.2%)	4,645 (15.6%)	705,186 (12.4%)
	<b>Increase</b>	<b>56%</b>	<b>35%</b>	<b>14%</b>	<b>19%</b>	<b>56%</b>
Number of Children under 18 in Poverty	2000	555 (12.8%)	2,287 (9.3%)	1,908 (17.0%)	1,722 (22.8%)	143,963 (10.8%)
	2010	839 (22.3%)	3,426 (14.3%)	2,309 (19.8%)	1,951 (25.1%)	220,337 (16.7%)
	<b>Increase</b>	<b>51%</b>	<b>50%</b>	<b>21%</b>	<b>13%</b>	<b>53%</b>

- Poverty rates for people of all ages in poverty: according to data from the 2010 U.S. Census, of the 72 counties in Wisconsin, Crawford is the 7<sup>th</sup> poorest county, Vernon is the 8<sup>th</sup> poorest county, La Crosse is the 30<sup>th</sup> poorest county, and Monroe is the 37<sup>th</sup> poorest county in Wisconsin.

- Poverty rates for children, under the age of 18, in poverty: according to data from the 2010 U.S. Census, of the 72 counties in Wisconsin, Vernon is the 7<sup>th</sup> poorest county, Crawford is the 12<sup>th</sup> poorest county, Monroe is the 23<sup>rd</sup> poorest county, and La Crosse is the 48<sup>th</sup> poorest county in Wisconsin.

<b>Additional Key Economic Indicators</b>	<b>Crawford</b>	<b>La Crosse</b>	<b>Monroe</b>	<b>Vernon</b>	<b>Wisconsin</b>
FoodStamp/FoodShare (unduplicated – all recipients 2010)	2,696	15,475	7,266	4,053	979,192
Medicaid Assistance (total coverage September 2011)	3,465	20,125	8,640	5,543	1,177,289
Unemployment Rate (August 2011 non-adjusted)	7.7%	6.0%	6.1%	6.3%	7.3%
Families with Child Care Subsidies (monthly average from January-August 2011)	58	523	102	47	31,924
Students Eligible for Free or Reduced Meals (school district within each county having the highest percentage of eligible students, 2011)	64% Wauzeka- Steuben	47.9% La Crosse	55.2% Norwalk- Ontario-Wilton	59.0% La Farge	41.4% statewide

**More than 40 million Americans, a record 1 in 8, are receiving food stamps.** Beginning in the fall of 2008, Couleecap has seen food pantry numbers double and these numbers have stayed at that same level since then. In La Crosse the Salvation Army served an average of 207 meals a day in October 2010. On October 27, 2011 the La Crosse Salvation Army served a record 623 individuals.

Homelessness is also an increasing issue in our area. Each year Couleecap and partners conduct a Point in Time survey to try to get an unduplicated count of people experiencing homelessness in our area during a designated one-night period. The most recent survey was conducted on July 27, 2011 and showed that 268 people were homeless in La Crosse County on that day, 124 people were homeless in Monroe County, five people were homeless in Vernon County, and three people were homeless in Crawford County.

**Conclusion:** Wisconsin has 121,000 fewer jobs today than it did in December 2007 when this recession began. Both our population and our labor force have grown since that time; so that Wisconsin’s current job deficit exceeds 150,000. When the economy has fewer jobs, more people are unemployed. **The plight of the unemployed has everything to do with weak demand for labor and very little to do with the personal failings or skills problems of those who seek work.**

Unemployment for any period of time is economically and psychologically stressful. As unemployment drags on, stress grows. Unfortunately, unemployment is so high and job growth so weak, that even in this “recovery” an unprecedented share of the unemployed have been out of work for more than six months. The long-term unemployed face the punishing reality of a long-term and challenging job search, and ever more desperate financial choices. Producing deep ripple effects throughout our communities, unemployment touches workers, both with and without jobs, throughout the state.

Couleecap, Inc. is a private non-profit 501(c)3 charitable organization created in 1966. Our mission is to fight poverty and promote self-sufficiency for people in the Coulee Region. We currently implement more than 50 contracts in the areas of housing, emergency assistance, child and family development, business development, employment, transportation, and health. Each year, Couleecap helps more than 15,000 families work towards self-sufficiency.

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Special Thanks to John D. Medinger, Regional Representative for Senator Kohl; and Karen Joos, Monroe County UW-Extension; for their final review of this paper.