A high-angle photograph of construction workers on a bridge under construction. The workers are wearing yellow hard hats and high-visibility vests. They are standing on a metal grating walkway supported by a red steel truss structure. In the background, a river flows through a valley with green trees and a rocky embankment. The sky is overcast.

# Divergent Recoveries:

An Analysis of Construction Industry  
Employment in Minnesota and Wisconsin

JULY 2018



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**About North Star Policy Institute:**



North Star Policy Institute is a Minnesota progressive think tank that advances public awareness of and discussion about state-level public policies.

Our vision for Minnesota is a state where working families get ahead instead of just getting by; where all Minnesotans have the opportunity to succeed in the changing economy; and where smart investments in public services and infrastructure support healthy and connected communities.

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# EXECUTIVE SUMMARY

Minnesota's construction industry has enjoyed a strong recovery from the depths of the Great Recession. Construction employment plummeted by 25% between 2007 and 2010. Starting in 2011, however, the industry once again began to add jobs. From 2010 to 2017, Minnesota's construction industry added back nearly all of the jobs lost during the Great Recession, marking a near full recovery.

The recovery in Wisconsin's construction employment has been considerably less robust. In 2007, Wisconsin had slightly over 1,000 more construction jobs than Minnesota. Both states lost construction jobs at a similar rate through 2010. But by 2017, total construction industry employment in Wisconsin *lagged* Minnesota by over 7,000 jobs. The impact of the Great Recession lasted longer in Wisconsin, and the state's recovery has been weaker, with the Badger State replacing less than three quarters of the jobs lost from 2007 to 2010.

In Part I of this report, we highlight the growing divergence in the overall health of the construction industry in each state. We find the following:

- ◆ Minnesota and Wisconsin saw substantial losses in construction employment between 2007 and 2010, with each state losing approximately 32,000 jobs.
- ◆ Minnesota added 31,486 construction jobs between 2010 and 2017, 38% more than the 22,827 jobs added in Wisconsin.

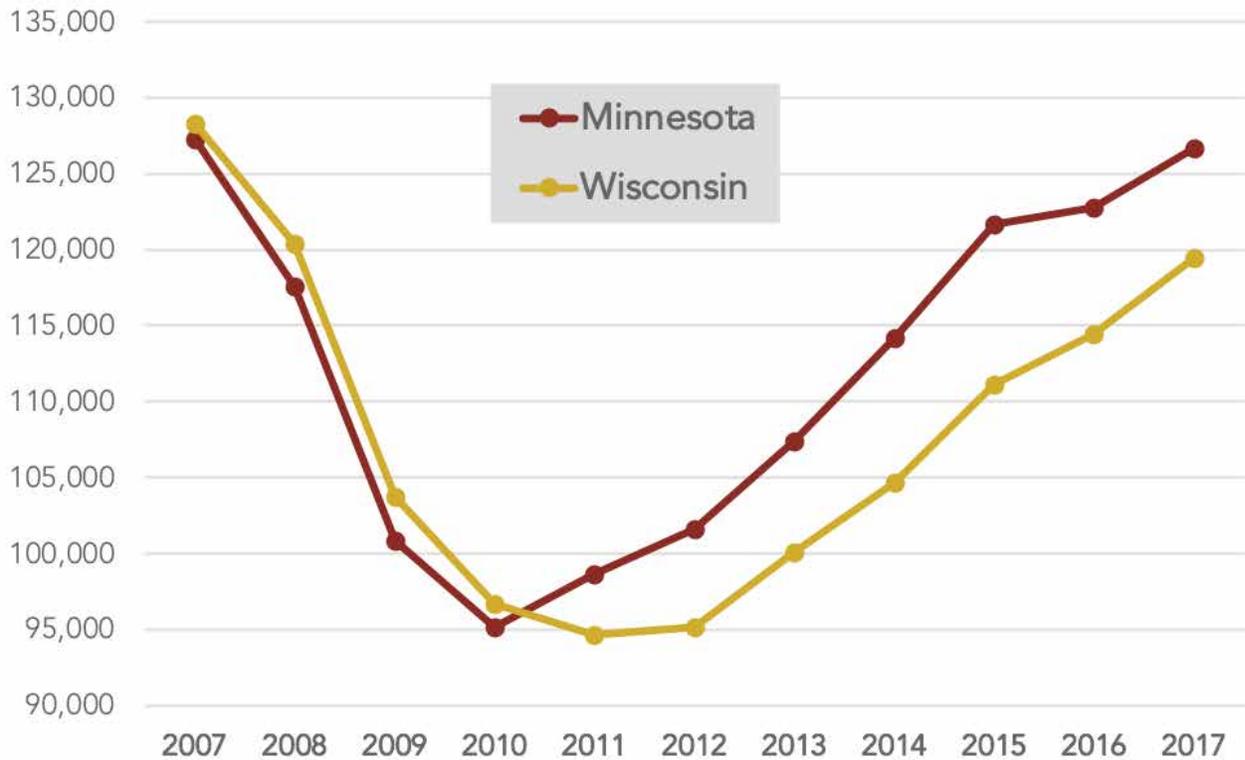
- ◆ By 2017, total construction employment in Minnesota was just 0.5% below 2007 levels. In Wisconsin, however, total construction employment remained 6.9% below 2007 levels.
- ◆ From 2007 to 2010, total construction wages in Minnesota declined by \$2.05 billion in constant 2017 dollars, not much different than the \$1.87 billion decline in Wisconsin.
- ◆ However, from 2010 to 2017, construction wages in Minnesota increased by \$2.70 billion in constant 2017 dollars, 47.9% more than the \$1.83 billion growth in Wisconsin.

In Part II, we detail contrasting policy responses to the Great Recession in Minnesota and Wisconsin. We rely on sources from industry, politics, and academia—including interviews with construction workers, employers, industry experts, and policymakers—to detail each state's response to the crisis. Minnesota pursued fiscal stimulus with injections of public funds into infrastructure projects and public-private partnerships, as well as public policies such as all-day kindergarten that encouraged local capital investment; meanwhile, Wisconsin pursued sharp budget cuts that dampened job growth.

In Part III, we look ahead to reveal possible consequences of Wisconsin's right-to-work legislation and repeal of the state's prevailing wage law. We argue that these policies could put Wisconsin's construction workers at an even greater disadvantage.

## Total Construction Employment: 2007 to 2017

Minnesota & Wisconsin



Minnesota's construction industry has enjoyed a strong recovery from the depths of the Great Recession, while the recovery in Wisconsin's construction employment has been considerably less robust.



# INTRODUCTION: MINNESOTA'S CONSTRUCTION RECOVERY

Minnesota's construction industry is thriving. Construction cranes dot the Minneapolis skyline, wind turbines rise above the farm fields of Southwestern Minnesota, and bars and restaurants bustle in Rochester—all signs of a robust construction industry.

In 2017, 126,654 Minnesotans worked in the construction industry, up from 95,168 in 2010.<sup>1</sup> Minnesota's unemployment rate is near rock-bottom.<sup>2</sup>

Not long ago, however, Minnesota's construction industry faced a historic downturn. From the onset of the Great Recession in 2007<sup>3</sup> to its trough in 2010, overall national unemployment

swelled from 4.7% to 10.1%.<sup>4</sup> The construction industry was particularly hard hit. Nationally, employment in the industry fell by more than two million jobs. In Minnesota, construction employment fell by 32,122 jobs from the 2007 level.

The recovery of Minnesota's construction industry has far outpaced the national average and that of neighboring Wisconsin.

The recovery of Minnesota's construction industry has far outpaced the national average and that of neighboring Wisconsin. In 2007, Wisconsin's construction industry employed 1,026 more workers than Minnesota's. Both states experienced similar declines in employment during the Great Recession. Between 2010 and 2011, however, construction employment began to rebound in

Minnesota, while the decline continued in Wisconsin.

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1 This analysis relies primarily on information from the Quarterly Census of Employment and Wages (QCEW) from the U.S. Bureau of Labor Statistics (BLS). According to the BLS, "The primary economic product [of the QCEW] is the tabulation of employment and wages of establishments which report to the Unemployment Insurance (UI) programs of the United States. Employment covered by these UI programs represents about 97% of all wage and salary civilian employment in the country." QCEW total construction employment data (including both private and public sectors) for Minnesota and Wisconsin are available through the fourth quarter of 2017; 2017 is preliminary. Unless otherwise noted, construction employment and wage data cited in this report is from the QCEW.

2 Adam Belz, "Construction unemployment in Minnesota nears rock-bottom," Star Tribune, June 28, 2016, <http://www.startribune.com/construction-unemployment-in-minnesota-nears-rock-bottom/384707111/>.

3 The Great Recession began in December of 2007. Thus, 2007 serves as the baseline year in this analysis. Because nearly all of 2007 was prior to the onset of the Great Recession, data from 2007 is defined as the pre-recession baseline.

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4 Kevin Lansin, "Gauging the Impact of the Great Recession," Federal Reserve Bank of San Francisco, July 11, 2011, <https://www.frbsf.org/economic-research/publications/economic-letter/2011/july/impact-great-recession/>.

Not only did the industry's recovery begin sooner in Minnesota, but the speed of the recovery far outpaced Wisconsin. The number of construction jobs in Minnesota is nearly back to the 2007 level, while Wisconsin remains well below this mark. In a reversal from 2007, Minnesota now boasts 7,178 more construction jobs than Wisconsin.

This report explores divergence in the Minnesota and Wisconsin construction industries during the current business cycle, which began with the onset of the Great

Recession late in 2007. The report is divided into three parts. In Part I, we analyze various indicators of the overall health of the construction industry in Minnesota and Wisconsin. In Part II, we explore the contrasting public policies pursued by leaders in Minnesota and Wisconsin. In Part III, we look ahead to the possible consequences of Wisconsin's aggressive efforts to restructure construction labor markets and undercut unions through enactment of right-to-work legislation and the repeal of prevailing wage protections.



# PART I: A TALE OF TWO RECOVERIES

The construction industry builds all public infrastructure as well as residential, commercial, and industrial real estate. For this reason, construction employment and wages can serve as informal barometers of economic growth. Minnesota’s construction industry has recovered much faster from the Great Recession than Wisconsin’s, producing more jobs, higher incomes for workers, and helping to boost the state’s economy.

Minnesota’s post-recession construction boom has not been limited to the Twin Cities<sup>5</sup> metropolitan area. St. Cloud, Duluth,

Rochester, Mankato, and nearly all of Greater Minnesota have seen strong job growth since 2010.<sup>6</sup>

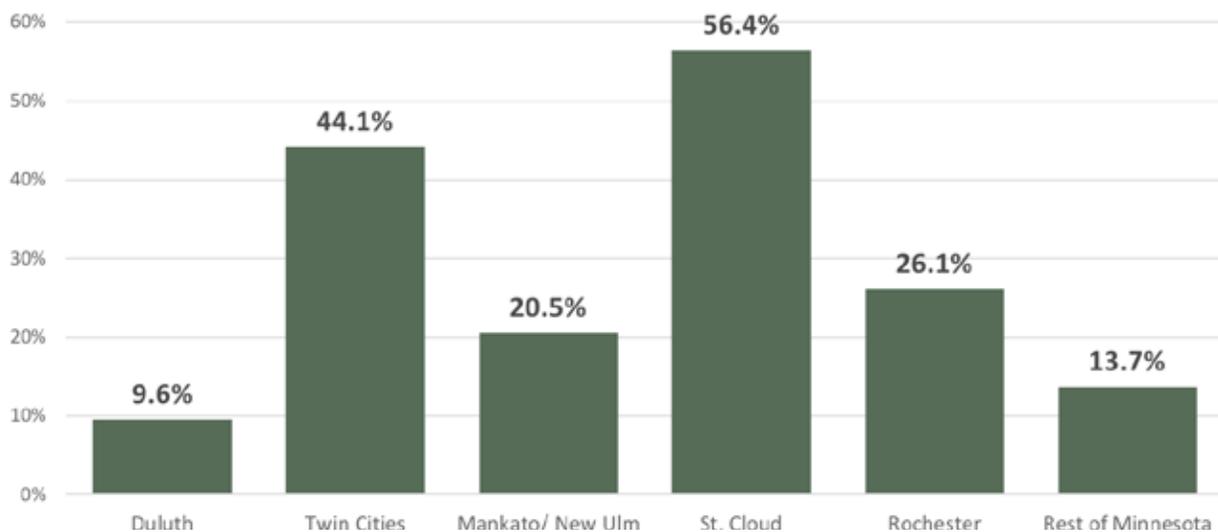
From 2007 to 2010, nearly every area in Minnesota experienced a decline in construction industry employment. From 2010 to 2017, however, widespread growth in total construction industry employment prevailed throughout most of the state. One notable exception, however, is the Marshall metropolitan area. The Marshall area has lost 208 construction jobs since 2010 and 412 jobs since 2007.

<sup>5</sup> “Twin Cities” here and in Figure A uses the following definition: Hennepin, Ramsey, Dakota, Anoka, Washington, Scott, Wright, Carver, Sherburne, St. Croix, Chisago, Pierce, Isanti, Le Sueur, Mille Lacs and Sibley counties. (Note: this is the Census Metropolitan Statistical Area for Minneapolis/St. Paul/Bloomington, Minnesota/Wisconsin, minus the Wisconsin part)

<sup>6</sup> Findings are based on Quarterly Workforce Indicators (QWI) data. While we primarily rely on QCEW data, metropolitan-level QCEW data are incomplete. Therefore, we have used QWI data to analyze regional job growth.

**FIGURE A**

## Construction Industry Job Growth: 2010 to 2017 Selected Minnesota Regions



<b>Total Job Growth</b>	<b>475</b>	<b>25,368</b>	<b>556</b>	<b>2,544</b>	<b>1,024</b>	<b>3,089</b>
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Figure B tracks quarterly construction employment in Minnesota and Wisconsin from the first quarter of 2007 through the fourth quarter of 2017. This is a useful time frame to examine, since it covers nearly a full business cycle, including the entire recession (which began in the fourth quarter of 2007) and much of the subsequent recovery.

This chart makes two things apparent. First, an annual cycle exists in both Minnesota and Wisconsin, in which construction employment dips in the winter—as weather conditions make outdoor work more difficult—and spikes in the summer. Second, the number of construction jobs plunged during the Great Recession and increased during the recovery.

The recession affected construction employment in the two states similarly, apart

from the fact that the winter employment valleys were slightly deeper in Minnesota than in Wisconsin. However, as the economies of both states entered recovery, Minnesota’s construction job growth surpassed Wisconsin’s. Minnesota’s summer employment peaks exceeded Wisconsin’s by a substantial margin, while—in contrast to the recession—the Minnesota winter valleys were not as low as Wisconsin’s.

The annual fluctuation in construction employment partially conceals the extent to which Minnesota has outperformed Wisconsin since the end of the Great Recession. We can control for this fluctuation by examining complete year employment data.

**FIGURE B**

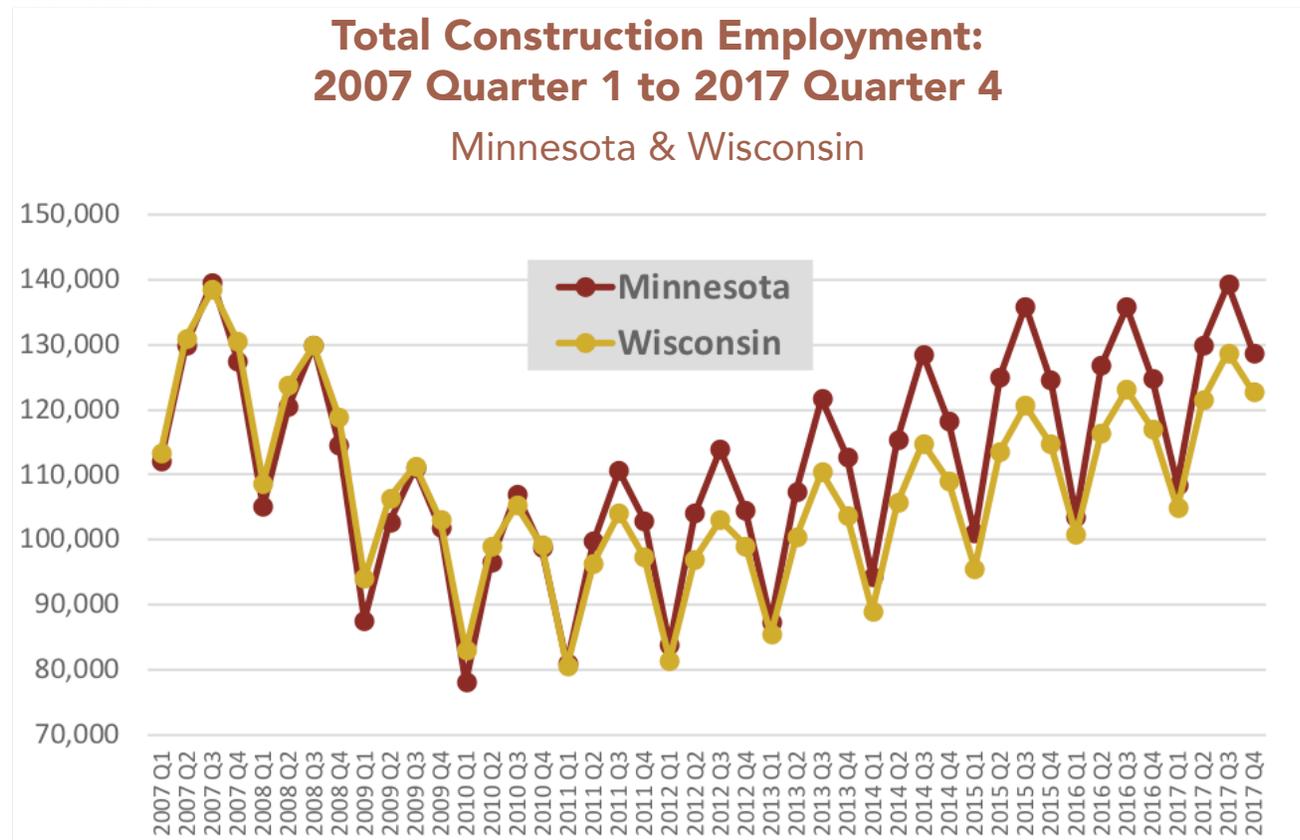


Figure C illustrates three important differences between Minnesota's and Wisconsin's recoveries.

First, Wisconsin's recovery lagged Minnesota's by approximately two years. Minnesota began to add construction industry jobs in 2011, while employment in the industry bottomed out between 2011 and 2012 in Wisconsin. Construction job recovery in Wisconsin did not begin in earnest until 2013.

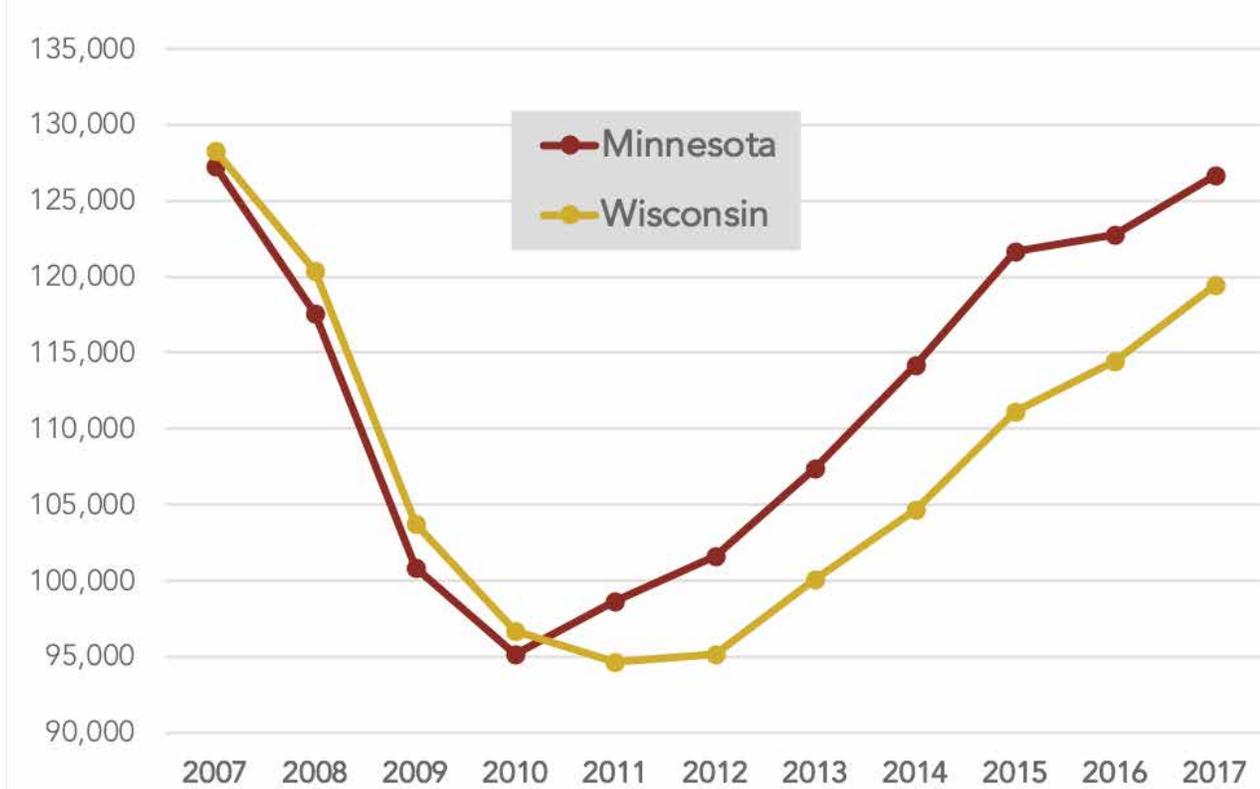
Second, since 2010, construction employment has increased much faster in Minnesota than in Wisconsin. From 2010 to 2017, Wisconsin's added 22,827 jobs, compared to 31,486 in Minnesota. In other words, Minnesota added over four construction jobs for every three in Wisconsin over this seven-year span.

Third, Minnesota has almost fully recovered to pre-recession employment levels, while Wisconsin remains well below. On the eve of the Great Recession in 2007, Minnesota employed 127,290 total construction workers, 1,026 less than Wisconsin at 128,316. Over the next three years, each state lost approximately 32,000 construction jobs. However, by 2017 Minnesota had regained nearly all the jobs lost during the recession and was within 650 jobs of the 2007 level. Wisconsin, meanwhile, recovered less than three quarters of the jobs lost and was still 8,800 jobs below the 2007 level. Measured in terms of employment, Wisconsin entered the Great Recession with a larger construction industry than Minnesota; by 2017, however, Minnesota had surpassed Wisconsin, employing 7,178 more workers.

**FIGURE C**

### Total Construction Employment: 2007 to 2017

Minnesota & Wisconsin



From 2007 to 2010, construction employment in both Minnesota and Wisconsin declined by 25%. However, from 2010 to 2017, Minnesota construction employment has increased by 33.1%, compared to just 24.6% in Wisconsin.

The trend in construction wage growth since the start of the Great Recession resembles the trend in construction employment growth, with Minnesota again outperforming Wisconsin. In constant 2017 dollars,<sup>7</sup> average annual wages of Minnesota construction workers exceeded that of Wisconsin construction workers by \$3,650 in 2007. During the years of the Great Recession, average annual wages for construction workers in both states fell, with Minnesota workers experiencing a larger

loss. From 2007 to 2010, average annual wages fell by \$1,313 in Minnesota, compared to \$912 in Wisconsin. However, from 2010 to 2017, average annual wages in Minnesota increased by \$6,788, compared to \$4,732 in Wisconsin.

During the entire period from 2007 to 2017, average annual pay in Minnesota grew 43% faster than in Wisconsin and the construction pay gap between the two states had increased to \$5,304 annually—\$1,654 greater than in 2007.

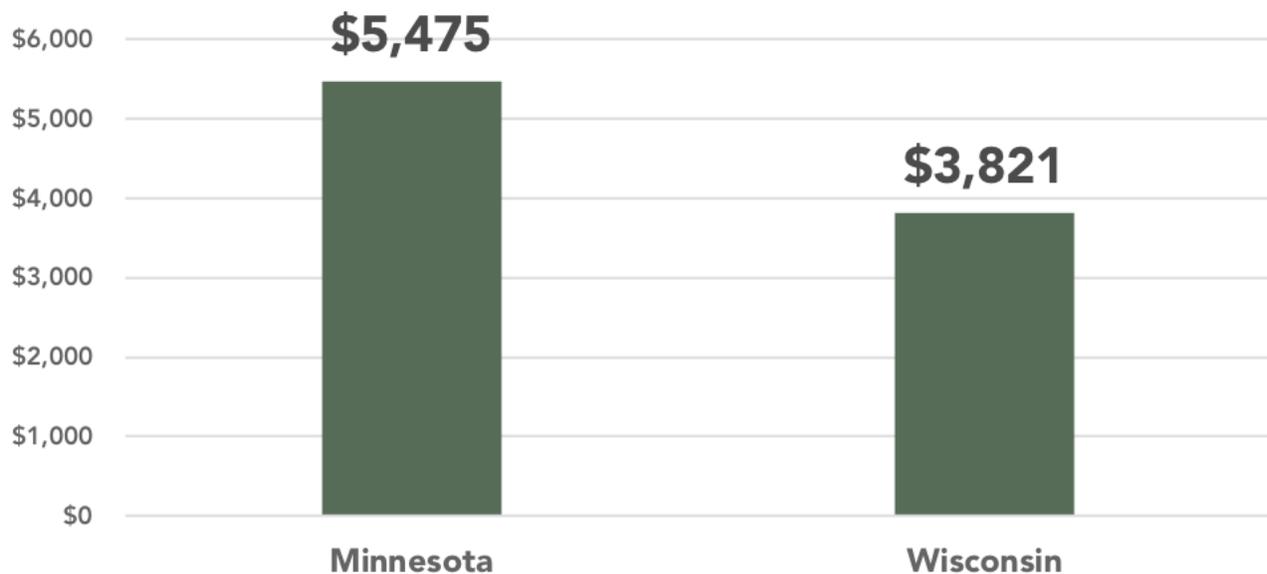
Robust employment numbers and higher pay combine to create a significant advantage for Minnesota workers when it comes to total construction payroll. In 2007, Minnesota's aggregate construction wages exceeded Wisconsin's by 5.6%. Since 2007, however, the gap between the two states has widened considerably due to Minnesota's higher rates of job growth and average pay.

<sup>7</sup> To adjust for the erosion in purchasing power of the dollar over time, average hourly earnings shown here are presented in constant 2017 dollars. The conversion to 2017 dollars is based on the Consumer Price Index (CPI).

**FIGURE D**

### Average Annual Construction Wage Growth from 2007 to 2017: Constant 2017 Dollars

Minnesota & Wisconsin



By 2017, aggregate construction wages in Minnesota were 15.4% greater than in Wisconsin. In inflation-adjusted dollars, Wisconsin's aggregate construction wages declined by 0.6% from 2007 to 2017, while in Minnesota they increased by 8.6%. From 2010 to 2017, inflation-adjusted total construction wages in Minnesota increased by 48.5%, compared to just 34.2% in Wisconsin; for every \$5 in real construction wage growth in Wisconsin, Minnesota experienced over \$7 of growth.

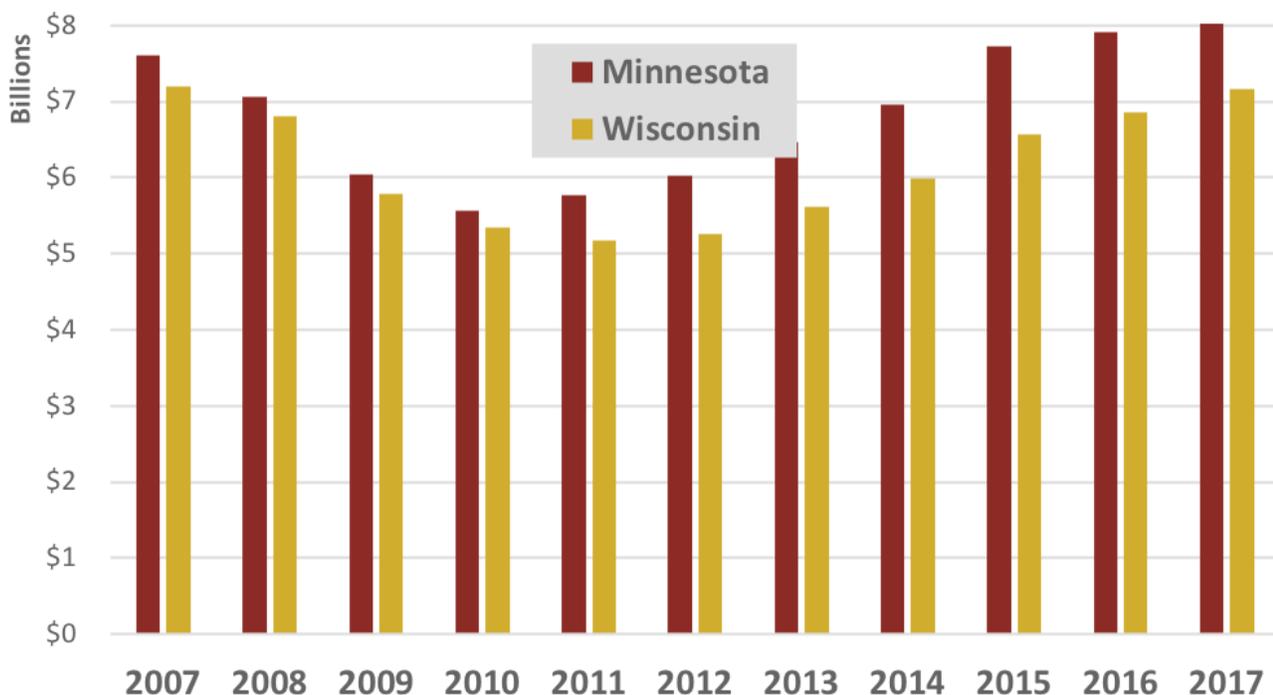
More jobs and higher wages in Minnesota have benefited all Minnesotans. Many

construction jobs pay solid middle-class wages and provide health and retirement benefits. The average hourly pay in the construction industry in 2017 in Minnesota was over \$32.<sup>8</sup> These workers spend their earnings in the local economy. They also pay state income and sales taxes and local property taxes. This tax revenue gets reinvested into the state and local economies. The more robust rate of growth in Minnesota's construction industry has given our state's economy and public-sector revenues a boost relative to our neighbors to the east.

<sup>8</sup> Average hourly earnings data for each state from the QCEW are not available. This information is from BLS Current Employment Statistics (CES). According to CES data, average hourly earnings for construction workers in Minnesota are 11.1% greater than in 2017.

**FIGURE E**

### Total Construction Wages: Constant 2017 Dollars Minnesota & Wisconsin



## PART II: DIVERGENT RESPONSES TO THE GREAT RECESSION

The Great Recession was the worst economic downturn in the United States since the Great Depression. Between 2007 and early 2010, “more than eight million Americans lost their jobs, nearly four million homes were foreclosed, and 2.5 million business were shuttered.”<sup>9</sup> The economic downturn also meant that both federal and state income tax revenues declined, and state officials were forced to respond with a mix of spending cuts, tax increases, and extraordinary measures geared to meet budgetary requirements.

At the federal level, the Obama administration championed the American Recovery and Reinvestment Act of 2009, which injected \$787 billion into the national economy.<sup>10</sup> The stimulus included direct aid to low income workers and the unemployed, and \$105 billion for infrastructure improvements, including \$27.5 billion for highway and bridge construction, \$8 billion for intercity rail, and \$1.3 billion for Amtrak.<sup>11,12</sup> Minnesota followed the lead of the federal government, and injected public dollars into infrastructure projects and

human capital; Wisconsin pursued a path of austerity and deregulation.

### Minnesota’s Responses

Between 2010 and 2012, Minnesota invested in a number of ambitious infrastructure projects including the Union Depot station renovation, the Green Line light rail project, the Northrop Auditorium renovation, and many other public works projects.

In late 2010, workers in Minnesota began construction of the \$957 million Green Line light rail train between Minneapolis and St. Paul. Federal funds paid for about half of the cost, while state and local governments funded the other half. The construction of the Green Line created 5,500 jobs with a total payroll of \$252 million.<sup>13</sup> As of the opening of the project, “Metro Transit [had] hired 200 operators and maintenance workers.”<sup>14</sup> By early 2018 the Metropolitan Council estimated that \$5.8 billion in new private investment along the line was “announced, under construction or already built.”<sup>15</sup> Over half of this new investment is outside of Downtown Minneapolis.

Minnesota policy makers have also

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9 Institute for Policy Research Staff, “The Great Recession: Over But Not Gone?,” Institute for Policy Research at Northwestern University (2014), <http://www.ipr.northwestern.edu/about/news/2014/IPR-research-Great-Recession-unemployment-foreclosures-safety-net-fertility-public-opinion.html>.

10 BBC News, “US Congress passes stimulus plan,” BBC News, February 14, 2009, <http://news.bbc.co.uk/2/hi/business/7889897.stm>.

11 BBC News, “US Congress passes stimulus plan,” BBC News, February 14, 2009, <http://news.bbc.co.uk/2/hi/business/7889897.stm>.

12 Federal Highway Administration, “The American Recovery and Reinvestment Act of 2009 (ARRA),” Federal Highway Administration, 2009, <http://www.fhwa.dot.gov/economicrecovery/arrapresentationfinal05012009.ppt>.

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13 Metropolitan Council Staff, “Metro Green Line Fact Sheet,” Metropolitan Council, <https://metro council.org/getattachment/904a43co-eeb9-4daa-8aof-7041c23d6be9/Metro-Green-Line-Fact-Sheet.aspx>.

14 Metropolitan Council Staff, “Metro Green Line Fact Sheet,” Metropolitan Council, <https://metro council.org/getattachment/904a43co-eeb9-4daa-8aof-7041c23d6be9/Metro-Green-Line-Fact-Sheet.aspx>.

15 Metropolitan Council Staff, “Investment Grows to More than \$8 Billion along Existing, Future LRT Lines,” Metropolitan Council, February 14, 2018, [https://metro council.org/News-Events/Transportation/News-Articles/Investment-grows-to-more-than-\\$8-billion-along-exi.aspx](https://metro council.org/News-Events/Transportation/News-Articles/Investment-grows-to-more-than-$8-billion-along-exi.aspx).

## Partial List of Minnesota Construction Projects 2010-2017

Project	Location	Year Completed	Construction Cost
U.S. Bank Stadium	Minneapolis	2016	\$1.13 billion
Duluth Transportation Center	Duluth	2016	\$30 million
CHS Field	St. Paul	2015	\$64.7 million
Alexandria High School	Alexandria	2014	\$73.5 million
Green Line Light Rail	Minneapolis/St. Paul	2014	\$957 million
Northrop Auditorium Phase II	Minneapolis	2014	\$88 million
Union Depot	St. Paul	2012	\$243 million
U of M Student Services Building	Minneapolis	2010	\$108.6 million

### BRIAN ERWIN, Green Line Construction Worker

Brian has worked as a union construction laborer for over 18 years. He was born and raised in Mazeppa, Minnesota, about 20 miles Northeast of Rochester. He enjoys his work and he is thankful that it has allowed him to support his four-year-old daughter.

Like many Minnesota construction workers, Brian lost his job during the Great Recession. He was laid off in November of 2009. He found work in Iowa, but it didn't last long. Brian was unemployed for five months in 2010, and spent additional months working short-term jobs around the Midwest. This was one of the most difficult periods of Brian's career.

Not only was it hard financially, but it was difficult emotionally. "When you are drawing unemployment, it is not the same as working," explained Brian. He remembers the Great Recession as an incredibly challenging time.

His luck began to change in late 2010. He started to find more consistent work, although

several jobs required long commutes to neighboring states. In 2012, he found a "great job" working on the Green Line light rail project in St. Paul. The project provided three steady years of employment.

Brian remembers how many of his co-workers had been traveling all over the country before they started work on the Green Line. "One of my good friends [was] stuck in Illinois working [and] another guy was down in Louisiana working. The project brought them both closer to home."



In the years since the Green Line opened in 2014, Brian has found steady construction work, as have most of his co-workers from the project.

The Green Line project not only provided nearly 5,500 family supporting jobs for construction workers like Brian, but it allowed many workers to return home from years of traveling around the country for work.

championed ambitious public investment in the city of Rochester's infrastructure. In the waning hours of the 2013 legislative session, the state agreed to invest \$327 million in a wide range of infrastructure improvements over the next 20 years.<sup>16</sup> The bill also allowed Rochester and Olmsted County to raise an additional \$213 million in funding for transportation and infrastructure improvements.<sup>17</sup>

The goals of the project, dubbed Destination Medical Center, are to both "keep Mayo competitive with other world-class medical centers" and to secure Rochester's future as an innovation hub.<sup>18</sup> The original plan was to release the public funds only after the Mayo Clinic and private developers had invested \$200 million in new construction. This threshold was reached in 2017 when "the Rochester Building Safety Department in 2017 approved 2,665 residential and commercial permits totaling \$524.7 million,

From 2010 to today, the state has maintained a commitment, often in partnership with the federal government, to invest in public infrastructure projects.

a new record for a single year."<sup>19</sup> This record far outpaced the 2012 total of \$328.5 million.<sup>20</sup> This private-public partnership has created thousands of family-supporting construction jobs in and around Rochester.

By 2013, Minnesota "adopt[ed] some of the most progressive policies in the country."<sup>21</sup>

These policies included raising taxes by approximately \$2 billion primarily through tax increases on those making more than \$250,000 (married joint filers), raising the minimum wage to \$9.50 an hour to boost the purchasing power of lower-income Minnesotans, and injecting \$485 million into state schools, \$250 million to colleges,<sup>22</sup> and \$144 million in counties, cities, and towns. The legislature also increased the state transportation budget by \$59 million.<sup>23</sup>

From 2010 to today, the state has maintained a commitment, often in partnership with the federal government, to invest in public infrastructure projects.

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16 Elizabeth Baier, "Mayo Clinic celebrates state funding approval, but questions remain on expansion details," Minnesota Public Radio, May 23, 2013, <https://www.mprnews.org/story/2013/05/23/business/mayo-clinic>.

17 Ibid.

18 Matt McKinney, "With almost \$300 million in private funds, Rochester's DMC project set to get \$585M in public money," Star Tribune, March 24, 2017, <http://www.startribune.com/rochester-s-dmc-project-reaches-private-investment-goal/416939314/>.

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19 Anne Bretts, "MN Snapshot: Rochester gears up for major projects," Finance and Commerce, February 22, 2018, <https://finance-commerce.com/2018/02/mn-snapshot-rochester-gears-up-for-major-projects/>.

20 Ibid.

21 Lawrence Jacobs, "Right vs. Left in the Midwest," The New York Times, November 23, 2013, available at <http://www.nytimes.com/2013/11/24/opinion/sunday/right-vs-left-in-the-midwest.html>.

22 Jimmy Anderson, "Scott Walker has failed Wisconsin and Minnesota is the proof," Milwaukee Journal Sentinel, October 22, 2014, available at <http://archive.jsonline.com/blogs/purple-wisconsin/280089862.html>.

23 Ibid.

## Wisconsin's Response

Wisconsin responded very differently to the Great Recession, using the downturn as an occasion to pare back public investments and services. In 2011, Wisconsin policymakers set to work implementing a vision of small government, enacting legislation that cut benefits and reduced the collective bargaining rights of public sector employees. They also championed aggressive tax and spending cuts, which reduced investment in road, transit, and state facilities construction.<sup>24</sup>

Wisconsin's conservative philosophy drove government to halt investments in projects largely supported by federal funds. For example, policymakers rejected \$810 million from the federal government for a high-speed rail link from Madison to Milwaukee in 2010. That rail project would have provided a key link in the development of high-speed rail from the Twin Cities to Chicago. Official government estimates predicted that the project would have created 5,500 construction jobs.<sup>25</sup>



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24 Lawrence Jacobs, "Right vs. Left in the Midwest," *The New York Times*, November 23, 2013, available at <http://www.nytimes.com/2013/11/24/opinion/sunday/right-vs-left-in-the-midwest.html>.

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25 Clay Barbour and Mary Spicuzza, "\$810 million Madison-to-Milwaukee passenger rail project probably dead," *Wisconsin State Journal*, November 9, 2010, [http://host.madison.com/wsj/news/local/govt-and-politics/million-madison-to-milwaukee-passenger-rail-project-probably-dead/article\\_c5b19d5c-eb76-11df-9da3-001cc4c03286.html](http://host.madison.com/wsj/news/local/govt-and-politics/million-madison-to-milwaukee-passenger-rail-project-probably-dead/article_c5b19d5c-eb76-11df-9da3-001cc4c03286.html).

## Expert Insights on Wisconsin’s Response

A public official we interviewed for this report, Superior City Council Member Dan Olson, explained how the decision to reject high-speed rail led to the “shut down of the plant that was going to be used to build the trains.”<sup>1</sup> In 2010, the Spanish train manufacturer, Talgo, announced plans to develop a manufacturing facility in Milwaukee to build new trains for regional high-speed rail service. Governor Walker’s refusal to continue work on high-speed rail, however, led Talgo shut down its Milwaukee manufacturing plant. Talgo later sued the State of Wisconsin to recover costs on two trains that it had manufactured for \$65.9 million-dollar breach of contract after the state canceled its order. The eventual settlement ended up costing Wisconsin taxpayers \$9.7 million.<sup>2,3</sup>

City Council Member Olson has also seen the impact of Wisconsin’s policies on critical infrastructure projects in Northwestern Wisconsin. In a recent interview, he explained how there are substantial shortfalls in funding for infrastructure projects. Council Member Olson has seen up-close how the failure to sufficiently fund infrastructure investments has led to fewer jobs for Wisconsin construction workers and continued infrastructure deficiencies.

In general, Wisconsin’s policy direction continues to hinder its ability to create and maintain family supporting jobs, according to the Executive Director of Building Advantage Wisconsin, Ken Kraemer. Kraemer works closely with both developers and labor unions to promote family supporting construction jobs in Wisconsin. In an interview conducted for this report, he explained

how Wisconsin has embraced a “race to the bottom mentality.” For Kraemer, “right-to-work laws, changing apprenticeship ratios and lightening up on licensing requirements” are all symptoms of this mentality. As someone that works closely with both construction firms and labor, he has seen first-hand how state policies have pushed contractors to seek work elsewhere.

Jim Hoffman of Hoffman Construction is one of the Wisconsin contractors that has sought to expand operations in Minnesota. The final straw for Hoffman came after the passage of Wisconsin’s right-to-work legislation. In a 2016 La Crosse Tribune article, Jim Hoffman explained his decision to expand in Minnesota “wasn’t a political decision—it was a business decision.”<sup>4</sup> He further explained how, “It was basically following our market... I saw indications that Wisconsin was headed in the wrong direction.”<sup>5</sup>

Hoffman fervently opposed Governor Scott Walker’s right-to-work legislation, because he relies on skilled union workers. He worries that the right-to-work legislation will “slowly erode the union’s ability to provide the skilled workers” he needs.<sup>6</sup> Thanks in part to its expansion in Lakeville, Minnesota, Hoffman Construction has “acquired \$85 million in Minnesota state highway contracts.”<sup>7</sup>

For many construction contractors, the push for smaller government, spending cuts, and deregulation have led to a deteriorating business environment. The situation is likely to get worse before it gets better.

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1 Council Member Dan Olson also works as a business manager and international representative for the Laborers’ International Union of North America (LIUNA).

2 Sean Ryan, “Talgo to officially close Milwaukee operations, move trains elsewhere,” Milwaukee Business Journal, April 30, 2014, <https://www.bizjournals.com/milwaukee/news/2014/04/30/talgo-to-officially-close-milwaukee-operations.html>.

3 Scott Gordon, “Following Wisconsin’s High-Speed Railing Funding Down the Tracks,” Wisconsin Public Radio, August 31, 2015, available at <https://www.wpr.org/following-wisconsins-high-speed-rail-funding-down-tracks>.

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4 Scott Gordon, “Following Wisconsin’s High-Speed Railing Funding Down the Tracks,” Wisconsin Public Radio, August 31, 2015, available at <https://www.wpr.org/following-wisconsins-high-speed-rail-funding-down-tracks>.

5 Cassandra Colson, “BRF construction company says move toward Minnesota pays off,” Jackson County Chronicle, April 25, 2016, [http://lacossetribune.com/news/local/brf-construction-company-says-move-toward-minnesota-pays-off/article\\_e050d6d3-ddbf-59b4-83aa-8a095a52a842.html](http://lacossetribune.com/news/local/brf-construction-company-says-move-toward-minnesota-pays-off/article_e050d6d3-ddbf-59b4-83aa-8a095a52a842.html).

6 Ibid.

7 Ibid.

## PART III: LOOKING AHEAD

In recent years, Wisconsin has pursued policies likely to further hamper employment and wages growth in the state's construction industry and overall economy. In recent years, Wisconsin has enacted several laws that could negatively impact wages and economic growth. These include Act 10, enacted in 2011, which limited collective bargaining rights and increased the cost of benefits for public sector employees; right-to-work legislation enacted in 2015; and, a budget bill that repealed the state's prevailing wage law in 2017.<sup>26,27</sup> Extensive evidence from other Midwestern states suggests that these policies could have profound negative consequences for Wisconsin construction workers, including downward pressure on wages and expanded use of out-of-state labor.<sup>28</sup>

Recent research has revealed a number of likely negative consequences associated with Wisconsin's right-to-work legislation. A report by the Midwest Economic Policy Institute found that "the introduction of 'right-to-work' laws has reduced the

Recent research has revealed a number of likely negative consequences associated with Wisconsin's right-to-work legislation.

unionization rate by 2.1 percentage points and lowered worker wages by 2.6% in Indiana, Michigan, and Wisconsin."<sup>29</sup> Additionally, "right-to-work laws have had particularly adverse impacts on occupations that have traditionally provided middle-class careers for workers in the Midwest.

As examples, right-to-work has statistically reduced the hourly earnings of construction and extraction workers by 5.9%, of workers in service occupations (including police officers and firefighters) by 3.1%, and of workers in professional, educational, and health occupations by 1.9%."<sup>30</sup>

The 2016 repeal of prevailing wage laws could further hamper wage growth for construction workers.

According to a recent research report on the economic impact of repealing prevailing wage, construction worker wages declined by 8.5% after the passage of Indiana's repeal of prevailing wage.<sup>31</sup> Wisconsin's repeal of

26 Dee Hall, "Scott Walker signs bill, makes Wisconsin 25th right-to-work state," Wisconsin State Journal, March 9, 2015, [http://host.madison.com/wsj/news/local/govt-and-politics/scott-walker-signs-bill-makes-wisconsin-th-right-to-work/article\\_9022e13e-ffb8-5011-b97c-ab-88b19e784.html](http://host.madison.com/wsj/news/local/govt-and-politics/scott-walker-signs-bill-makes-wisconsin-th-right-to-work/article_9022e13e-ffb8-5011-b97c-ab-88b19e784.html).

27 Jason Zimmerman, "Gov. Walker signs \$76 billion state budget in Neenah," WBAY-TV, September 20, 2017, available at <http://www.wbay.com/content/news/Gov-Walker-to-sign-budget-in-Neenah-446142913.html>.

28 Frank Manzo and Jill Manzo, "The Social Costs of Repealing Wisconsin's Prevailing Wage Law," Midwest Economic Policy Institute, June 19, 2017, <https://midwestepi.files.wordpress.com/2017/06/mepi-social-costs-of-repealing-wisconsin-prevailing-wage-law-final.pdf>.

29 Frank Manzo, "The Impact of 'Right-to-Work' Laws on Labor Market Outcomes in Three Midwest States: Evidence from Indiana, Michigan and Wisconsin (2010-2016)," Midwest Economic Policy Institute, April 3, 2017, pg. 1, <https://illinoisepi.files.wordpress.com/2017/04/pmcr-ilepi-rtw-in-the-midwest-2010-to-2016.pdf>.

30 Frank Manzo, "'Right-to-Work' Laws in the Midwest Have Reduced Unionization and Lowered Wages," Illinois Economic Policy Institute, April 3, 2017, <https://illinoisupdate.com/2017/04/03/right-to-work-laws-in-the-midwest-have-reduced-unionization-and-lowered-wages/>.

31 Frank Manzo and Kevin Duncan, "The Effects of Repealing Common Construction Wage in Indiana: Impacts on Ten Construction Market Outcomes," Midwest Economic Policy Institute, January, 2018, pg. 1, <https://midwestepi.files.wordpress.com/2018/01/mepi-csu-effects-of-repealing-common-construction-wage-in-indiana-final.pdf>.

prevailing wage is likely to have similar results. Further, researchers found that, “Repeal of Common Construction Wage [prevailing wage] has had negative impacts on Indiana’s construction industry and construction workforce, without generating any meaningful savings for taxpayers.”<sup>32</sup>

Finally, recent scholarship has estimated that, “the worst-case potential social costs [e.g., public assistance, healthcare subsidies] of repealing prevailing wage range from \$224

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<sup>32</sup> Ibid, p. 21.

million to \$337 million every year.”<sup>33</sup> The authors further explain, “When worker wages are cut, they contribute less in state and federal income taxes, [while a growing number will] qualify for and rely on government assistance.”<sup>34</sup> Ultimately, “This results in less money in the state economy and less money in the pockets of hardworking citizens.”<sup>35</sup>

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<sup>33</sup> Frank Manzo and Jill Manzo, “The Social Costs of Repealing Wisconsin’s Prevailing Wage Law,” Midwest Economic Policy Institute, June 19, 2017, pg. 1, <https://midwestepi.files.wordpress.com/2017/06/mepi-social-costs-of-repealing-wisconsin-prevailing-wage-law-final.pdf>.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

## CONCLUSION

At the beginning of the Great Recession, construction employment in Minnesota and Wisconsin was nearly identical. The construction industry in both states faced similar total employment and wage declines as the Great Recession set in.

By 2010, however, the construction industry in each state began to follow distinct trajectories. On one hand, the industry in Minnesota started to add jobs in 2011 and continued to pick up steam over the next six years. By 2017, total employment had recovered to 2007 levels, while wages were substantially above the 2007 level, even after adjusting for inflation. Further, the industry looks poised to continue its robust growth. On the other hand, employment in Wisconsin's construction industry did not begin to recover in earnest until 2013, and total employment and real aggregate wages remain below pre-recession levels.

The goal of this report has not been to offer a definitive account of the causes of the differing outcomes experienced by the construction industries in Minnesota and Wisconsin. However, we do note that divergent policies correlate with divergent results. Minnesota pursued a strategy of investment in public services and infrastructure, while Wisconsin pursued a strategy of budget cuts, tax cuts, and policies designed to restructure the state's labor market.

Minnesota's approach not only directly created construction jobs through projects like the Green Line light rail project, but also saw public investments stimulate private sector spending, as exemplified by the building booms in the Twin Cities and Rochester. Wisconsin did just the opposite, and the state's construction workers now enjoy fewer jobs opportunities and lower wages relative to Minnesota.

