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A TIGHT JOB MARKET INSULATES A SLOWING ECONOMY – AND PERHAPS TRUMP, TOO

In Wisconsin, a key swing state, the president's trade policies have hurt manufacturing and farming, but the unemployment rate remains low

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ROSENDALE, Wis. – Nathan Wiese, a third-generation dairy farmer who is struggling to get by, says even if he has to close his family's farm, he feels confident he could hire on as a truck driver and take home more money.

"If you want a job, you can get a job," said Mr. Wiese, who voted for Donald Trump in 2016 and plans to do so again. "I could probably get one in one day."

Two economic sectors especially exposed to President Trump's trade confrontations – manufacturing and farming – have taken direct hits in Wisconsin and a handful of other politically important swing states in the heartland, contributing to slowing growth.

But in an era of severe worker shortages, people losing jobs when a plant or a farm closes are quickly getting scooped up by others. This provides a safety net in the broader economy by keeping incomes and consumer spending strong.

Exceptionally low unemployment amid economic challenges could well be a buffer for the president in the 2020 elections.

Wisconsin, which went for Democrats in the seven previous presidential elections through 2012, went to Donald Trump in 2016 by a 22,748-vote edge, thanks largely to his appeal for blue-collar voters.

A November poll by Marquette University in Milwaukee showed 55 percent of those surveyed in the state approved of the president's handling of the economy, but 51 percent disapproved of his overall performance.

National polling shows somewhat similar trends, with 53 percent of Americans approving of the president's handling of the economy, while 52.9 percent disapprove of his overall job performance, according to a Real Clear Politics polling average.

In mid-November, Mr. Trump beat Democrats Joe Biden, Elizabeth Warren, Bernie Sanders and Pete Buttigieg in Wisconsin by a few points in hypothetical one-on-one matchups, after trailing them narrowly the month before.

"It doesn't take much to flip the state," said Charles Franklin, a Marquette professor of law and public policy who oversees the Wisconsin poll.

Wisconsin is one of only five states – the others are Indiana, Iowa, Kentucky and Louisiana – that derive more than a fifth of their economic output from farms and factories. That has led to slowing output and job growth in recent months after years of strong gains.

The dairy sector was struck by a period of oversupply and then retaliatory tariffs by U.S. trade partners such as Mexico and China, which combined to drive down milk prices and drive up farm closures. The state depends more on dairy production than Idaho does potatoes or Florida citrus. So far this year, 634 of the state's roughly 8,000 dairy farms have closed.

Manufacturing also has been hit by tariffs and trade uncertainty. Wisconsin factory payrolls are down 1.6 percent in the past year. State factory output grew at a 0.5 percent annual rate in the nine months through June, compared with a 4.4 percent annual rate in the preceding nine-month period, according to the Bureau of Economic Analysis.

"It sure feels to me like we're on the edge of a downturn," said Austin Ramirez, chief executive of Waukesha-based Husco International, which makes valves, actuators and controls for automobiles, excavators, backhoes and other vehicles. He has pared back hiring and investment because of the increased costs and uncertainties associated with U.S. trade confrontations. "Two years ago we were much more aggressive," he said.

Plant layoffs once meant a long and painful period of unemployment checks for workers who had problems landing someplace else, or maybe a difficult transition back to school and into some new field.

They were a threat to the broader economy, too. A layoff could mean income losses for households and uncertainty about the future, leading to reductions in spending, squeezed business profits and then even more layoffs, a process that could feed on itself.

A deeper slowdown could still lead to such a scenario. But for now, many layoffs in Wisconsin are turning into a bridge to severance pay and a quick hop to another job.

That could prove the difference between slowdown and outright recession, and it could give executives reason for optimism that they can manage through the slowdown without major downsizing.

When word started spreading in Waupun, Wis., this summer that Silgan Containers was planning to close its can plant there, eliminating 70 jobs, south central Wisconsin's Workforce Development Board was flooded with calls from employers looking for introductions to the workers.

"Dislocated workers are a hot commodity," said Danica Nilsestuen, director of business development for the publicly funded nonprofit.

Tom Neeman, a Silgan employee, said he got severance and a job lined up installing heating and air conditioning systems before the plant closed in mid-November. The new job doesn't pay as much as his Silgan job did after his 7½ years there, but he expects his pay to rise over time.

"There's definitely more jobs available now," he said. "A decade ago there definitely weren't."

The Stamford, Conn., company, which makes metal cans and containers for Campbell Soup Co. and other consumer-product giants, didn't respond to requests for comment.

Wisconsin, like much of the Midwest, has suffered from slow population growth and aging workers, making for a stagnant labor pool. The state's labor force contracted 0.2 percent last year and hasn't grown more than 2 percent since the mid-90s, producing an unusually tight labor market. The result is plentiful job opportunities for workers, but also an economy constrained because there aren't enough of them.

The risk for workers in this kind of environment: If the economic slowdown persists or deepens, layoffs could intensify and job openings dry up.

The risk for employers: If they let workers go now, they might not be able to get them back if they need them later. That would be especially frustrating after having invested resources in training them.

In July this year, Tramontina USA, a Brazilian cookware manufacturer, announced plans to close a plant in the town of Manitowoc, north of Milwaukee, affecting 145 workers. Peter Willis, who runs the local economic development board, said other manufacturers in the area lined up to hire the displaced factory workers. "We had 1,500 open jobs here that aligned with those positions," he said. "Forty-one companies contacted us directly."

Some people ended up with pay raises to go with their severance checks in the transition. "We didn't feel any impact from Tramontina leaving," said Justin Nickels, the mayor.

For presidential candidates, Wisconsin could offer an early answer to an essential question. What will matter more to voters in 2020: low unemployment or slower economic growth?

For most people, it depends heavily on how they felt about Mr. Trump before signs of an economic slowdown appeared.

The president has a stalwart base of 32 percent of voters who strongly approve of him in the state and an additional 15 percent of voters who modestly approve, according to the Marquette poll. He also has a base of 42 percent of voters who strongly disapprove.

Those who modestly approve are key. They don't look like they're budging, though if the slowdown worsens they could shift their opinions and Mr. Trump's own fortunes could change, Mr. Franklin said.

The president appears to enjoy a particularly deep reservoir of support in the very blue-collar industries that have been hit hardest by the slowdown.

Mr. Wiese, the Rosendale farmer, remains a devoted fan, even though the family farm hasn't made a profit in three years. His text message alert on his phone chimes, "This is Donald Trump and I approve this message" and his ringer is the president saying, "God Bless America." He likes Mr. Trump's candor and thinks the U.S. economy will ultimately come out better for its trade confrontations with China.

"I'll vote for him no matter what," he said.

Wisconsin's dairy sector has taken a beating. Record-high milk prices in 2014 were spurred in part by soaring exports to China and other countries, which had been fueling much of the industry's growth since around 2004, as the Chinese developed a growing taste for dairy. But Chinese demand didn't keep up with supply and exports slowed dramatically in 2015, before trade battles started, causing milk prices to tumble. Dairy farmers have also had to contend with declining U.S. milk consumption.

“We went through this period of irrational exuberance,” said Alan Levitt, vice president of market analysis at the U.S. Dairy Export Council. “We thought dairy demand would grow forever at this tremendous pace and supply would never be able to keep up.”

In 2014, milk prices in Wisconsin hit a high of $26.20 per 100 pounds, according to the USDA. It started falling in 2015 and hit a low of $14.80 in May 2016.

The average downturn lasts about three years, say dairy market experts. Just as prices were expected to recover, trade confrontations with Mexico, the U.S.’s biggest dairy customer, and China, one of the world’s fastest-growing consumers, led to retaliatory tariffs on an array of dairy products that hurt U.S. farmers. U.S. dairy export volumes to China are down nearly half since June 2018. Farmers in the European Union swooped in to pick up global market share.

More than 3,000 farms have closed in Wisconsin since 2014.

“Farmers had prepared themselves for three-year cycles, but not five,” said Mark Stephenson, director of Dairy Policy Analysis at the University of Wisconsin-Madison.

Milk prices began nudging higher recently, surpassing $20 for the first time since 2014 in October. But farmers remain cautious.

“If [prices] stay right where they are at right now, it would take me four years to get back to where I was in 2014,” said John Rettler, a dairy farmer in Neosho, who says he is a quarter-million dollars in the red. He has only managed to survive because he hasn’t been paying his three sons who work for him.

Gary Eibergen, 60, ran a 340-cow dairy farm in Granton with his two brothers. When the brothers sat down in January to go over their spring budget, they realized they didn’t have enough money to cover their basic expenses. If they wanted to keep farming, they’d have to borrow. They decided in March to close the farm their great-grandfather established in 1878.

He and the brothers found work, mostly helping other farmers in the area.

“I don’t think I would vote for [Mr. Trump] because of how long this has taken,” Mr. Eibergen said, referring to trade negotiations. “It’s hurting Wisconsin big time.”

Like many other people in the state, his views aren’t shifting much. An independent, he didn’t vote for Mr. Trump in 2016, either.

About a three-hour drive to the east, in Manitowoc, Sachin Shivaram runs the Wisconsin Aluminum Foundry Co. The family-owned business, which churns out wrenches, transmission encasements, fracking equipment and other metal products, generates $80 million to $100 million in annual revenue.

Business slowed abruptly around the middle of the year, he said. Customers pulled back on orders in the face of growing uncertainty about trade, and his own costs went up due to tariffs and sanctions on Russian aluminum imports. Sales in the second half of the year will be 40 percent lower than sales in the first half of the year, he said.

Starting in August, he ran through three rounds of temporary layoffs, affecting nearly 60 people, slowing output but keeping the workers on staff. Some factory hands took the time to go hunting and fishing.

A $9 million investment in a new mold-building line is going forward, but a $2 million plant expansion was put on hold.

Then orders started picking up in the past few days.

“We are going to call back a handful of workers in the next week,” he said on Thanksgiving. “It feels great to bring people back.”