

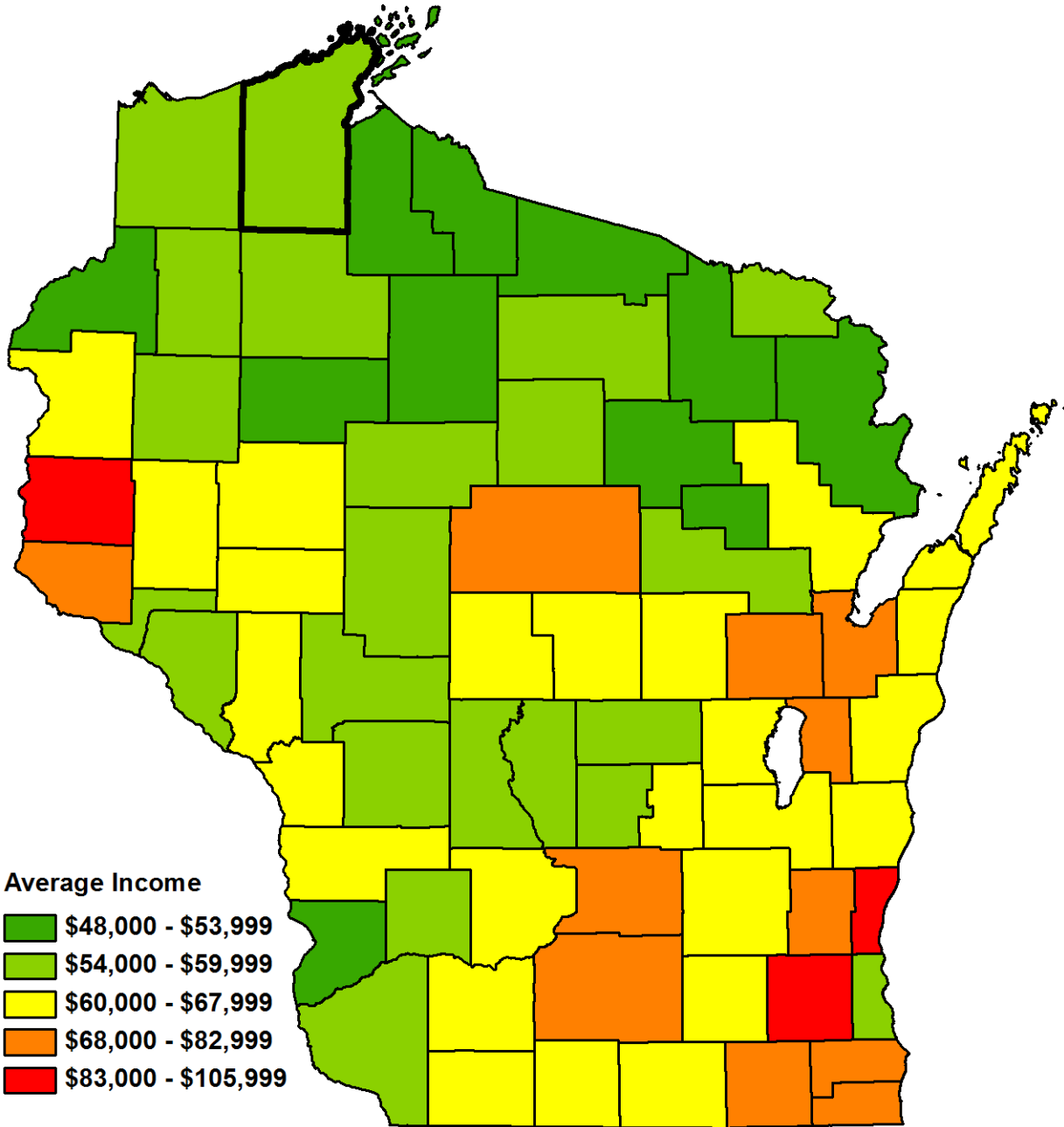


Bayfield County

WORKFORCE & ECONOMIC 2015 PROFILE



Average Household Income By County



Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates

2015 Bayfield County Workforce Profile

National and State Economic Outlook

Robust economic growth after the Great Recession remains anticipated. The recession ended in June of 2009. This recovery has been the slowest of post-war cycles. U.S. gross domestic product (GDP) growth through this recovery cycle has averaged just over two percent per year. Most recoveries show growth rates in the three percent range.

As with all economic growth, benefits have accrued. Job levels are up. Wages have increased. Home values are nearly back to prerecession levels. Wisconsin total non-farm jobs have increased by 200,000 since the trough in February 2010 through October 2015. The state's manufacturing industries have gained almost 50,000 jobs. Total nominal wages paid have increased by 17 percent since bottoming out in 2009. Aggregate household real estate values have all but full recovered from the national housing devaluations that began in 2006.

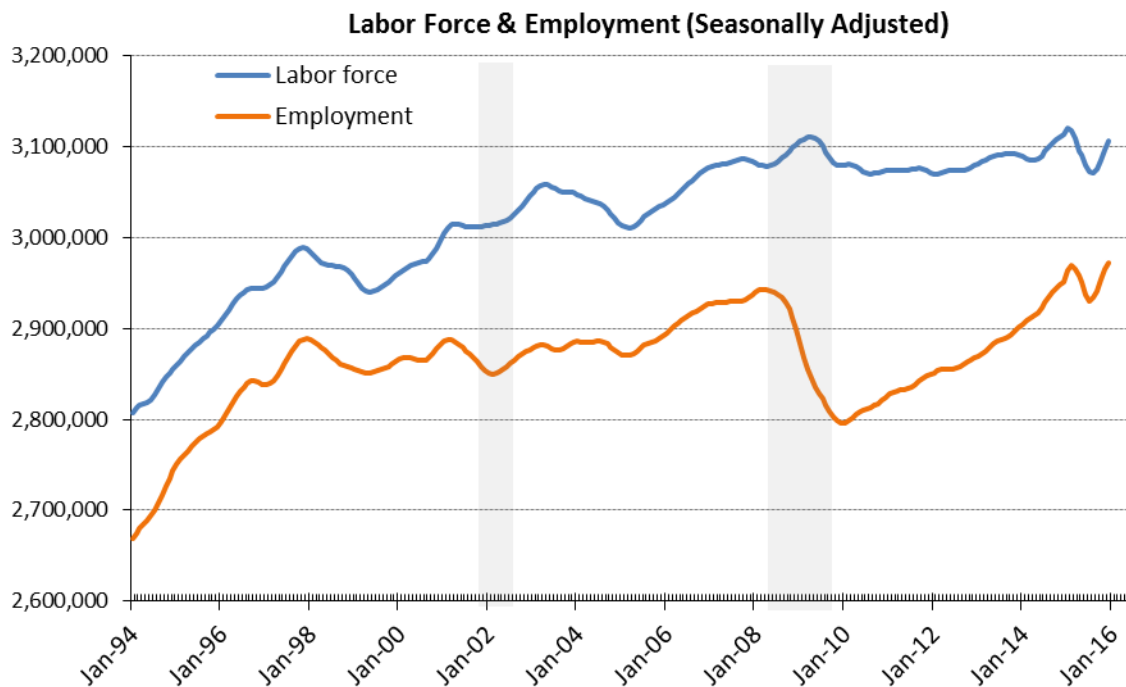
So what is it, six years after the recession ended, that is holding the national economy back from even stronger growth? A variety of factors are having an impact, such as: flat real wages, lack of business investment, focus of business investment, slower global economic growth, a stronger U.S. currency and its impact on U.S. and Wisconsin exports, and snug government capital and operations budgets.

The silver lining may be that the slower the growth, the longer the recovery will last. This recovery is 70 months old as of December 2015 with no expected downturn in sight. The average growth period of post-war business cycles is 58.4 months.

Workforce Outlook

On the workforce front, there is much discussion of the "skills gap" – the inability of employers to find and keep skilled workers. One anecdote often voiced is that Wisconsin companies could expand business if only they could find and retain skilled workers.

Wisconsin has never had more people employed and the unemployment rate is registering low levels not seen since the early 2000s. However, as has been discussed repeatedly over the years (Winters, Strang, & Klus, 2000; Winters, Gehrke, Grosso, & Udalova, 2009; Wisconsin Taxpayer Alliance, 2015), Wisconsin faces a quantity challenge and, as a consequence, a skills challenge.



Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

2015 Bayfield County Workforce Profile

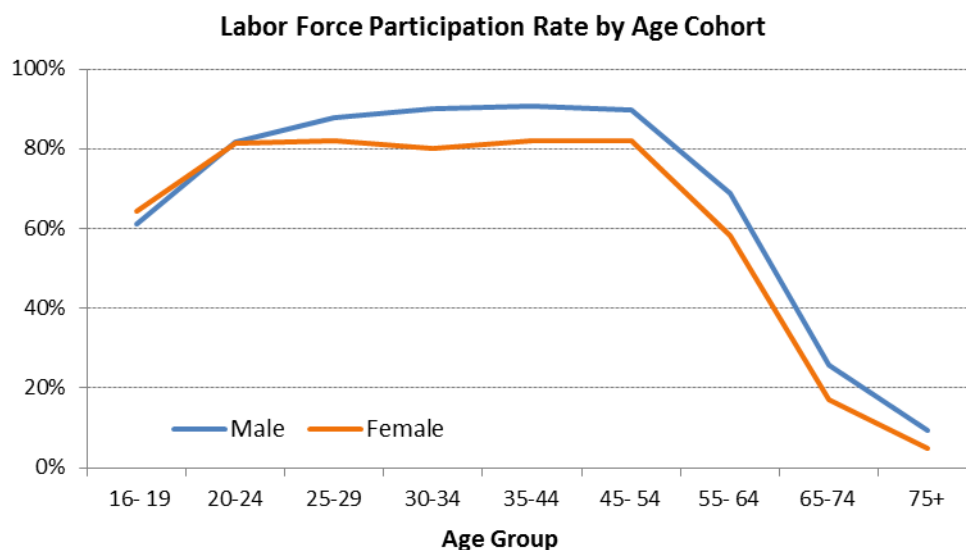
Businesses will be competing not only with each other for workers with similar skills, but also with entities of other disciplines. For example, one company may try to recruit a math teacher to become a computer programmer. Then the school will have to find another math teacher from, say, an insurance company, which, in turn, may try to recruit someone out of health care. The point is that without enough workers to go around, some businesses will end up short of talent.

This is true not only of highly skilled workers, but for all positions. Even retail and restaurant operations are displaying help-wanted signs.

During the late 1990s when the U.S. economic expansion was setting new longevity marks, there was a similar quantity challenge. The national unemployment rate fell to 3.8 percent in July 2000 and Wisconsin's unemployment rate fell to 3.0 percent in July of 1999. Two recessions alleviated the labor quantity constraints from 2001 to 2014. Now the U.S. unemployment rate is down to 5.0 percent (Wisconsin December 2015 seasonally adjusted unemployment rate was 4.3 percent), GDP is only growing at 2.0 percent, and businesses are already experiencing quantity challenges.

The major change in the labor force during this period is that now the Baby Boomers are fifteen years older and leaving the labor force in unprecedented numbers. The oldest Baby Boomers (born in 1946) will be 70 years old in 2016. The youngest (born in 1964) will be 52 years old, a mere three years from a rapid decline in their participation in the labor force.

Below is a graph of the labor force participation rate (LFPR) by age cohort. The LFPR drops precipitously after age 55. The bulk of the Baby Boomers are now over age 55.



Source: Bureau of Labor Statistics

Wisconsin's overall labor force participation rate peaked in the late 1990s and the employment-to-population ratio (e/pop) peaked in 1997 at 72.9 percent. The 2014 e/pop rate was above the 2010 low of 63.4 percent, at 64.7 percent.

The exit of Baby Boomers (people born between 1946 and 1964) from the labor market will affect future growth of Wisconsin's e/pop rate.

Population growth and age distribution will drive labor force availability in local and regional labor sheds. Below are county level demographic and economic characterizations. The primary factor driving economic trends in future years will be workforce developments and talent access.



Population and Demographics

Bayfield County's 10 Most Populous Municipalities

	April 2010 Census	January 2015 Estimate	Numeric Change	Proportional Change
United States	308,400,408	320,289,069	11,888,661	3.9%
Wisconsin	5,686,986	5,753,324	66,338	1.2%
Bayfield County	15,014	15,185	171	1.1%
Washburn, City	2,117	2,084	-33	-1.6%
Russell, Town	1,279	1,367	88	6.9%
Iron River, Town	1,123	1,162	39	3.5%
Cable, Town	825	827	2	0.2%
Barnes, Town	769	774	5	0.7%
Barksdale, Town	723	723	0	0.0%
Bayfield, Town	680	696	16	2.4%
Eileen, Town	681	691	10	1.5%
Washburn, Town	530	542	12	2.3%
Oulu, Town	527	532	5	0.9%

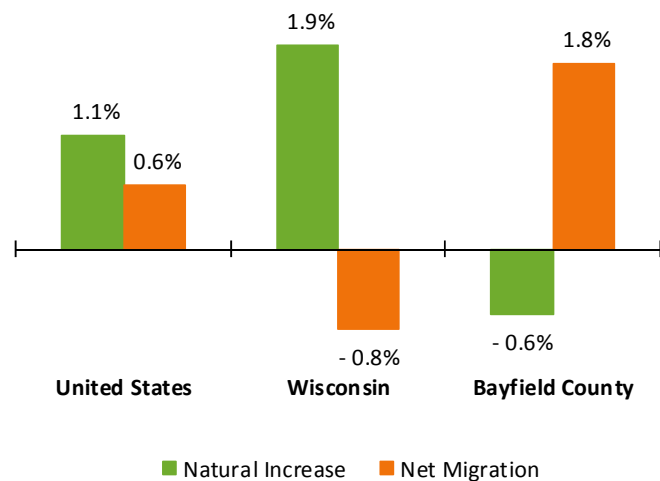
Source: Demographic Services Center, Wisconsin Department of Administration

Between the years 2010 and 2015 Bayfield County's population increased by 171, or 1.1%. Bayfield County's population growth rate ranks 21 out of Wisconsin's 72 counties. This increase continues a trend of population growth that started in the 1970s when the county's population was 11,683. Bayfield County's population peaked in 1920 at 17,201. During the same time frame, 2010-2015, the United States and the state of Wisconsin saw population growth rates of 3.9% and 1.2% respectively. From 2010 to 2015, Bayfield County had a yearly average growth rate of 0.23%. During the 2000-2010 period, Bayfield County's yearly average population growth was 0.00%. According to the recent estimates found above, Bayfield County's population increase is accelerating.

Bayfield County's net population increase was based on migration into the county. The graph to the right shows its net migration was 1.8%, which means that more people moved into the county than out of the county. The natural increase was -0.6% which means that the county recorded fewer births than deaths over the five year period.

According to data gathered from Wisconsin's Department of Health Services, Bayfield County's birth rate (births per 1,000 women ages 15-44) in 2014 was 69.6, which rated 16th highest out of Wisconsin's 72 counties. Wisconsin's 2014 birth rate was 61.8. Bayfield's rate in 2010 was 57.1; Wisconsin's rate was 62.3.

Components of Population Change

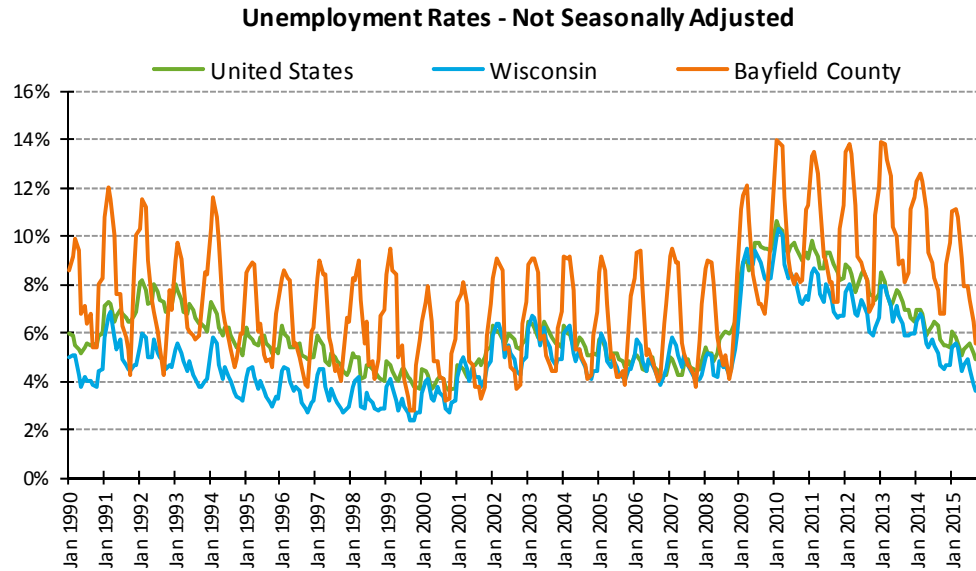


Source: Demographic Services Center, Wisconsin Department of Administration



Labor Force Dynamics

The graph to the right outlines Bayfield County's monthly unemployment rate over the past 25 years comparing it to the state of Wisconsin and the United States. There has been a great deal of variance in Bayfield County when compared to Wisconsin and the United States. This is due to a higher level of seasonality when compared to state and national levels.

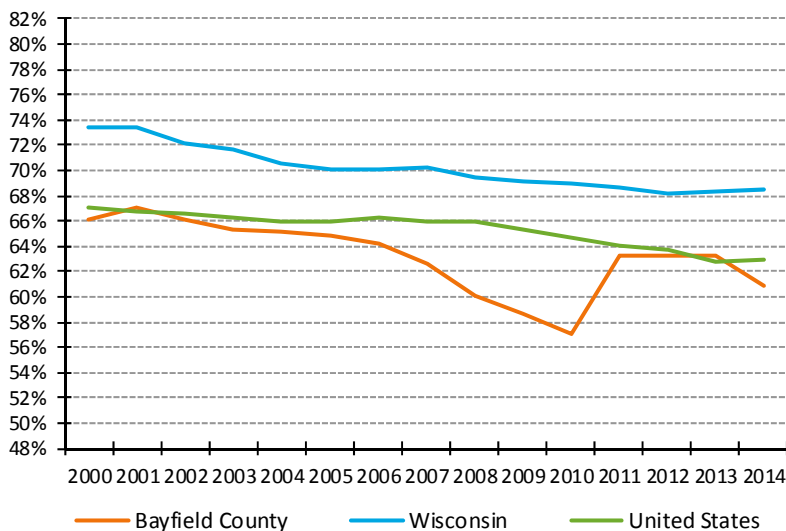


Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

The labor force participation rate (LFPR) is a more inclusive economic measure than the unemployment rate and has more breadth as an economic gauge. It speaks to not only economic conditions, but also comments quite remarkably about an area's age demographics.

The LFPR is the labor force (sum of employed and unemployed) divided by the population aged 16 and older. Bayfield County's annual average LFPR was 60.9% in 2014, lower than both the Wisconsin rate of 68.5% and the national rate of 62.9%.

Labor Force Participation Rates



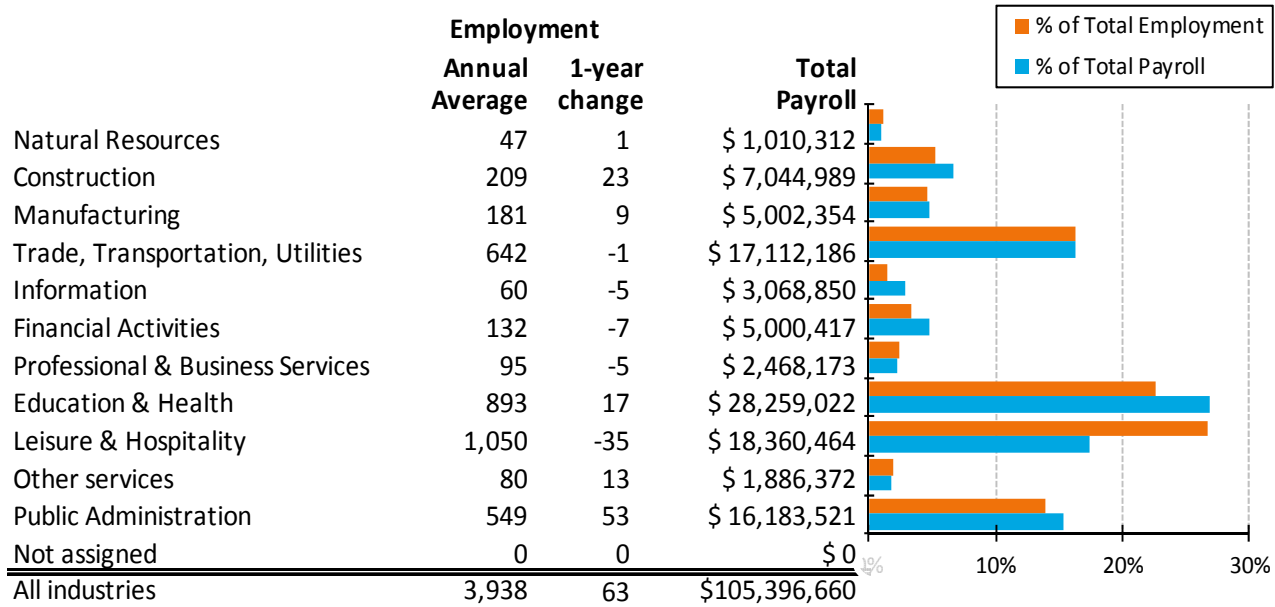
Source: Current Population Survey, U.S. Department of Commerce, Census Bureau

The graph to the left displays the LFPR over the last 14 years showing a downward trend: the sharpest slide being at the county level. In 2000, Bayfield County's LFPR was at 66.1%, 7.3% points lower than the LFPR of Wisconsin. Bayfield County's LFPR bottomed out, in 2010, at 57.1% and then saw a rebound until it began to decline again in 2014. One of the contributing factors in the long-run decline of national, state, and county LFPR is the aging of the population. The median age of Bayfield County in 2000 was 42.1 and in 2014 it was 51.2, which was an increase of 9.1 years in the 15-year period.



Industry Employment and Wages

2014 Employment and Wage Distribution by Industry in Bayfield County



Source: WI DWD, Bureau of Workforce Training, Quarterly Census Employment and Wages, June 2015

The graph above demonstrates employment and payroll data collected from all businesses that are covered by Unemployment Insurance, equaling around 96% of all employment. Industry employment in Bayfield County grew 1.6% in 2014 when compared to a year earlier, ranking 21st out of Wisconsin’s 72 counties. Wisconsin’s employment grew by 1.3%, and the nation’s grew by 1.8%. The total amount of pay to those working within Bayfield County during 2014 was \$105.4 million, 3.8% more than in 2013. The percentage increase ranked 43th out of Wisconsin’s 72 counties. The Leisure & Hospitality sector represents 26.7% of the county’s job base ranking as its largest employment sector. The Leisure & Hospitality sector represents only 9.9% of the state’s job base.

The second table on this page shows the average wage by industry sector for both Bayfield County and the state

Average Annual Wage by Industry Division in 2014

	Wisconsin Average Annual Wage	Bayfield County Average Annual Wage	Percent of Wisconsin	1-year % change
All industries	\$ 43,856	\$ 26,764	61.0%	2.1%
Natural Resources	\$ 36,156	\$ 21,496	59.5%	3.2%
Construction	\$ 55,317	\$ 33,708	60.9%	-1.2%
Manufacturing	\$ 54,365	\$ 27,637	50.8%	1.5%
Trade, Transportation & Utilities	\$ 37,362	\$ 26,654	71.3%	-0.4%
Information	\$ 62,482	\$ 51,148	81.9%	-1.5%
Financial Activities	\$ 61,884	\$ 37,882	61.2%	5.6%
Professional & Business Services	\$ 52,386	\$ 25,981	49.6%	-2.3%
Education & Health	\$ 44,829	\$ 31,645	70.6%	5.4%
Leisure & Hospitality	\$ 16,055	\$ 17,486	108.9%	5.9%
Other Services	\$ 25,847	\$ 23,580	91.2%	-3.7%
Public Administration	\$ 44,462	\$ 29,478	66.3%	-5.7%

Source: WI DWD, Labor Market Information, QCEW, June 2015

of Wisconsin. It shows the wage differential between Wisconsin’s average wages and the lower average wage rates of Bayfield County. Ten out of 11 industry sectors had below-average wages in 2014 when compared to Wisconsin, with the Professional & Business Services sector being 50% below the state wage. Leisure & Hospitality was above the statewide wage. It was 108.9% of the state average.

Employment Projections

Northwest Workforce Development Area Industry Projections, 2012-2022
 Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor and Washburn Counties

Industry	2012	Projected	Change (2012-2022)	
	Employment	2022 Employment	Employment	Percent
All Industries	70,117	73,446	3,329	5%
Natural Resources	1,877	1,675	-202	-11%
Construction	2,215	2,593	378	17%
Manufacturing	10,899	11,466	567	5%
Trade, Transportation, and Utilities	13,363	13,657	294	2%
Information	570	529	-41	-7%
Financial Activities	1,983	2,101	118	6%
Professional and Business Services	4,078	4,868	790	19%
Education and Health Services	13,250	14,177	927	7%
Leisure and Hospitality	8,163	8,604	441	5%
Other Services	1,969	2,042	73	4%
Public Administration	7,786	7,911	125	2%
Self-Employed and Unpaid Family Workers	3,964	3,823	-141	-4%

Source: Office of Economic Advisors, Wisconsin Department of Workforce Development, September 2015.

Above is a table showing the 2012-2022 industry employment projections for the Northwest Workforce Investment Development Area (Northwest WDA). Bayfield is one of ten counties found within the Northwest WDA. The ten-county area is projected to see an increase of 3,329 employed positions, a 4.7% increase. A few industry sectors are projected to expand their employment by a lot, relatively speaking. The Construction sector is projected to grow by 17% and the Professional and Business Service sector by 19%, making them the highest projected growth industry sectors in the Northwest WDA when looking at it in percentage terms. When viewed by the overall numerical change in employment, Education and Health Services is projected to be the largest growth industry in the Northwest WDA. Three industry sectors are projected to decrease in terms of employment during the 2012-2022 time period. The Natural Resources sector is projected to decline in employment more than any other, with an 11% decrease. The Information sector and Self-Employed and Unpaid Family Workers are projected to decline by a comparatively smaller 7% and 4% respectively.

Wisconsin’s 2012-2022 industry employment projections look similar when comparing which industry sectors in Northwest Wisconsin are projected to see high growth. There are some large differences in a couple of industry sectors that are projected to decline in Northwestern Wisconsin. Employment in Natural Resources and Mining is projected to see a –1.5% growth rate at the state level, a much less severe decline than projected for our area. The same can be said for the Information sector. It is projected to have a –7% growth rate in the Northwest WDA, but the statewide projected growth rate is a positive 1.2%. Wisconsin is projected to see an overall employment growth rate of 7.1%, which is higher than the Northwest WDA’s overall growth rate of 4.7% The national projections differ greatly from our regional projections.

When examining the 2012-2022 U.S. industry employment projections and comparing it to Wisconsin’s and the Northwest WDA’s, there is one large industry that is projected to shrink at the national level, but grow at the state and local level. That industry is Manufacturing. The Manufacturing industry’s employment at the national level is projected to decline by 5.0% from 2012-2022. In Wisconsin, its employment is projected to grow 2.0%,



Employment Projections

Northwest Workforce Development Area Occupation Projections, 2012-2022

Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor and Washburn Counties

Occupation Group	Employment				Average Annual Openings			Median Annual Wage
	2012	2022	Change (2012-2022)		Due to Growth	Due to Replacement	Total Openings	
			Number	Percent				
All Occupations	70,117	73,446	3,329	5%	444	1,659	2,103	\$ 29,374
Management	2,595	2,759	164	6%	17	54	71	\$ 65,292
Business and Financial	1,645	1,757	112	7%	12	33	45	\$ 49,512
Computer and Mathematical	534	598	64	12%	7	9	16	\$ 48,413
Architecture and Engineering	972	1,000	28	3%	6	23	29	\$ 58,828
Life, Physical, and Social Science	577	601	24	4%	4	18	22	\$ 50,621
Community and Social Service	790	823	33	4%	3	19	22	\$ 37,796
Legal	240	263	23	10%	2	4	6	\$ 40,486
Education, Training, and Library	4,194	4,347	153	4%	16	93	109	\$ 40,758
Arts, Entertainment and Media	578	592	14	2%	4	14	18	\$ 31,038
Healthcare Practitioners	2,979	3,349	370	12%	38	61	99	\$ 57,172
Healthcare Support	1,715	1,794	79	5%	15	33	48	\$ 26,399
Protective Service	1,474	1,521	47	3%	5	47	52	\$ 29,895
Food Preparation and Serving	6,580	6,826	246	4%	26	235	261	\$ 18,466
Building & Grounds Maintenance	2,882	3,165	283	10%	28	60	88	\$ 21,156
Personal Care and Service	3,425	3,772	347	10%	36	68	104	\$ 19,859
Sales and Related	7,246	7,267	21	0%	15	239	254	\$ 20,548
Office and Administrative Support	9,599	9,990	391	4%	53	217	270	\$ 28,811
Farming, Fishing, and Forestry	2,041	1,733	-308	-15%	0	32	32	\$ 33,349
Construction and Extraction	2,997	3,348	351	12%	35	51	86	\$ 37,455
Installation, Maintenance, Repair	2,901	3,040	139	5%	17	66	83	\$ 39,943
Production	8,009	8,450	441	6%	71	151	222	\$ 29,423
Transportation & Material Moving	6,144	6,451	307	5%	34	132	166	\$ 29,854

Source: Office of Economic Advisors, Wisconsin Department of Workforce Development, September 2015

and in the Northwest WDA grow by 5.2% over the 2012-2022 period.

The table above shows 2012-2022 occupational projections for the Northwest WDA. Adding all occupations together, total openings are projected to be 2,103. A small portion of openings (444) are due to growth while the majority of openings (1,659) are due to replacing existing jobs. The top five occupational groups, in terms of projected annual total openings, have median annual wages of less than \$30,000. Only 30% of the projected annual total openings have a median annual wage of over \$30,000. Thirty-six percent of the projected average annual openings due to growth have a median annual wage of more than \$30,000. This suggests a slow transition from a regional economy of lower-paying to higher-paying occupations. Grouping the occupations that have a minimum educational attainment of either less than a high school diploma or a high school diploma or equivalent account for around 75% of both average annual openings due to growth and average annual openings due to replacements. Looking at the projections for the state of Wisconsin for the occupations that have a minimum educational attainment of either less than a high school diploma or a high school diploma or equivalent, they account for around 62% of the average annual openings due to growth and around 70% of the average annual openings due to replacements. This comparison between the Northwest WDA and the state of Wisconsin

Personal Income

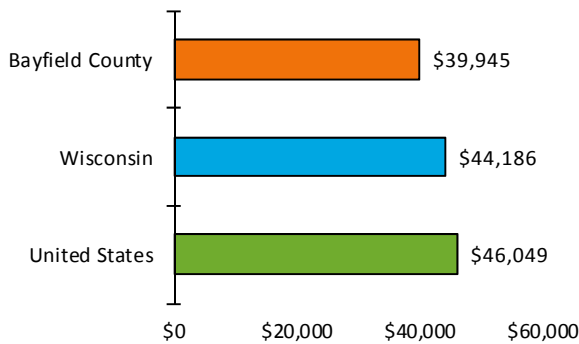
	2004 Nominal Per Capita Personal Income	2004 Per Capita Personal Income in 2014 dollars	2014 Per Capita Personal Income	Nominal Change in Per Capita Personal Income (2004 - 2014)	Inflation-adjusted Change in Per Capita Personal Income (2004 - 2014)
United States	\$34,316	\$41,709	\$46,049	34.2%	10.4%
Wisconsin	\$33,350	\$40,534	\$44,186	32.5%	9.0%
Bayfield County	\$27,878	\$33,884	\$39,945	43.3%	17.9%

Source: Bureau of Economic Analysis

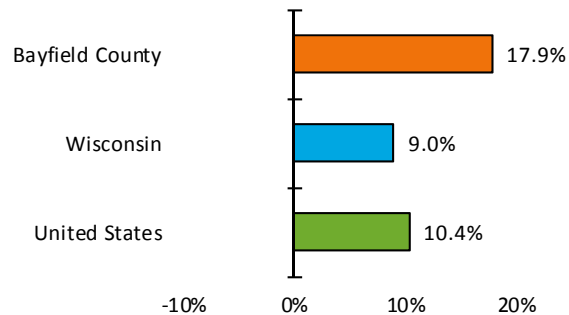
sin suggests that regional occupations that are projected to grow will require less educated workers than the occupations projected to grow in the state of Wisconsin as a whole.

Looking once more at county level data, the above table compares per capita personal income during 2004 and 2014 for the United States, Wisconsin, and Bayfield County. Per capita personal income is calculated by dividing total personal income by total population. Total personal income includes employment earnings, rental property income, personal dividend income, and personal current transfer receipts. Personal current transfer

2014 Per Capita Personal Income



2004 - 2014 Change in Per Capita Personal Income, Inflation-adjusted



Source: Bureau of Economic Analysis

receipts include government programs such as social security, Medicare/Medicaid, veterans benefits, and Unemployment Insurance benefits.

The above graphs display the 2014 per capita income and its 10-year inflation adjusted growth rate for Bayfield County, Wisconsin, and the nation. Bayfield County's 2004 Per Capita Personal Income (PCPI) was \$27,878. Adjusting for inflation, which reduced the value of each dollar by 25%, Bayfield County's PCPI was \$33,884 in 2014 dollars. It grew by 17.9% to \$39,945 in 2014. Even after its larger growth, in percentage terms, Bayfield County's PCPI was 90.4% of Wisconsin's PCPI and 86.7% of the nation's PCPI. Bayfield County's 2004 PCPI ranked 46th out of Wisconsin's 72 counties. In 2014 it rose to 40th, suggesting that Bayfield County's PCPI is moving past other counties in Wisconsin.

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