Kewaunee County

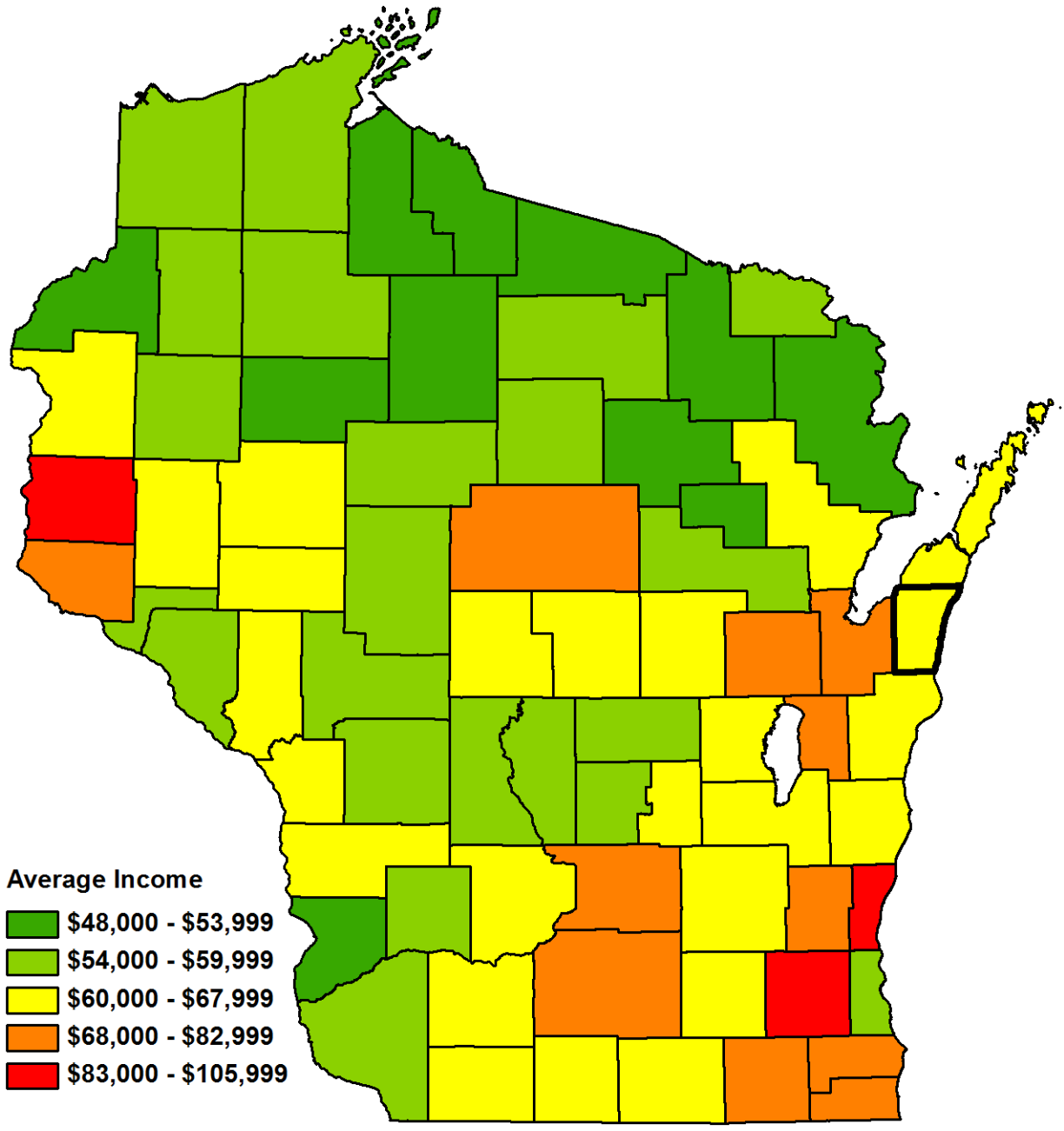
WORKFORCE & ECONOMIC PROFILE 2015

STATE OF WISCONSIN
DWD
Department of Workforce Development

OEA

DETI-17957-KEW-P (N. 3/2016)

Average Household Income By County



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

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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.

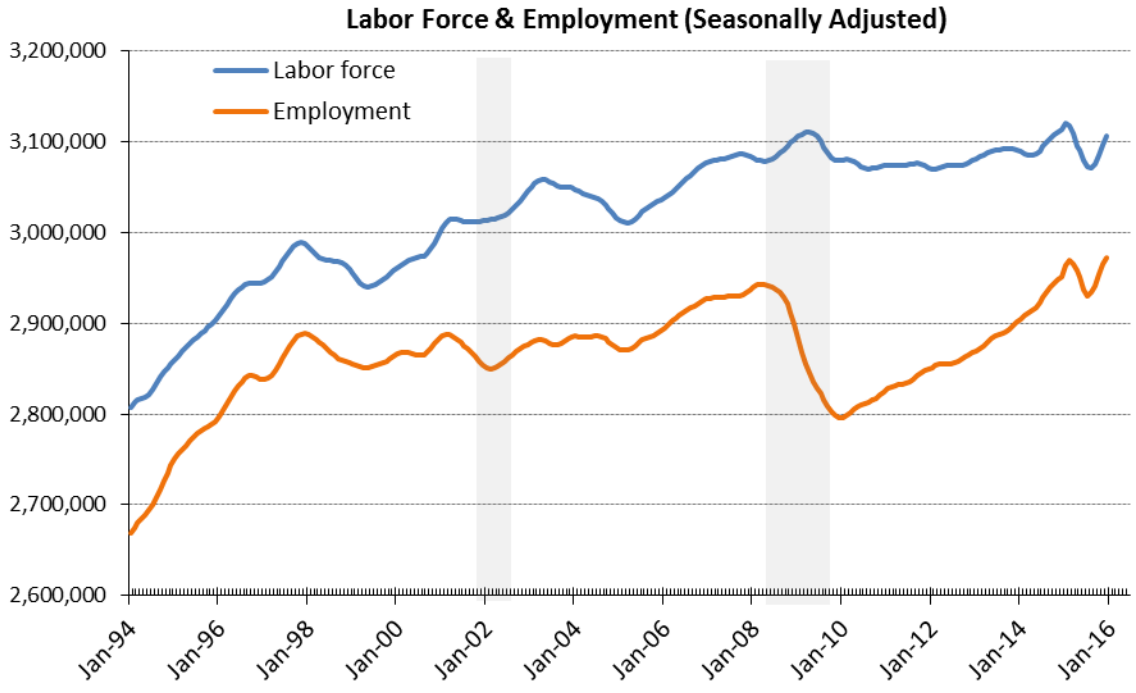
So what is it, six years after the recession ended, that is holding the national economy back from even stronger growth? A variety of factors are having an impact, such as: flat real wages, lack of business investment, focus of business investment, slower global economic growth, a stronger U.S. currency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

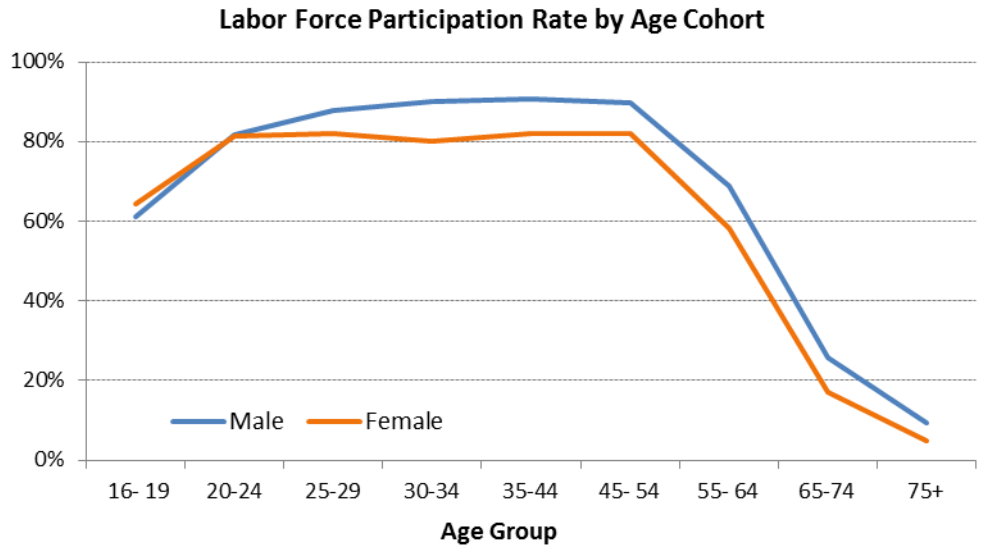
Businesses will be competing not only with each other for workers with similar skills, but also with entities of other disciplines. For example, one company may try to recruit a math teacher to become a computer programmer. Then the school will have to find another math teacher from, say, an insurance 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

Kewaunee 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%
Kewaunee County	20,574	20,703	129	0.6%
Algoma, City	3,167	3,155	-12	-0.4%
Kewaunee, City	2,952	2,925	-27	-0.9%
Luxemburg, Village	2,515	2,583	68	2.7%
Luxemburg, Town	1,469	1,484	15	1.0%
Red River, Town	1,393	1,407	14	1.0%
West Kewaunee, Town	1,296	1,331	35	2.7%
Montpelier, Town	1,306	1,320	14	1.1%
Casco, Town	1,165	1,179	14	1.2%
Carlton, Town	1,014	1,026	12	1.2%
Franklin, Town	993	993	0	0.0%

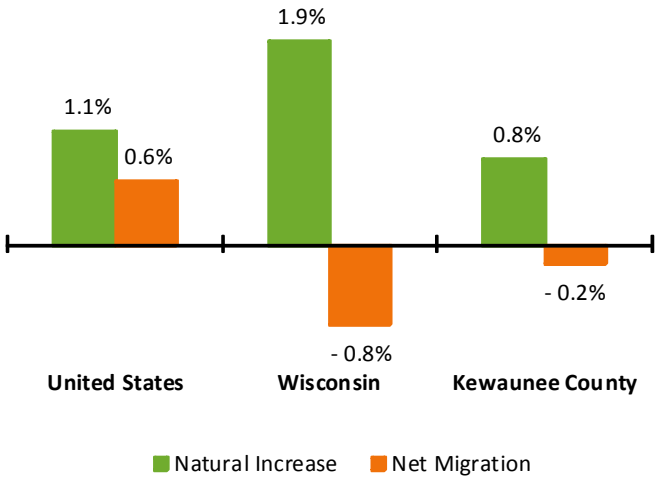
Source: Demographic Services Center, Wisconsin Department of Administration

Kewaunee County's population growth has slowed significantly over the past several years. The population growth remains behind national growth trends, growing by 0.6 percent since the 2010 Census. In comparison the state's population has increased 1.2 percent over the same period, illustrating a series of disparate dynamics that will be discussed throughout the course of this profile. The county gained 129 residents between 2010 and 2015, a sum that is significantly less than the 1.9 percent growth that occurred during the previous decade (387 growth from 2000 to 2010). Its 0.6 percent growth rate is also significantly slower than the 6.9 percent growth observed between 1990 and 2000, suggesting that the population loss that has occurred over the past twenty years is slowing. This is a common theme among many of the region's counties.

Many of the county's municipalities have also witnessed modest gains over the past five years. The City of Kewaunee experienced the greatest loss over the past five years shedding 27 residents. The City of Algoma also lost 12 residents. This has largely been caused by a decrease in the number of employment opportunities in the region, principally related to the decommissioning of the Dominion Nuclear Generating Station.

Population loss has been stemmed by a relatively modest natural increase rate. Net migration is slightly negative resulting from movement throughout the region.

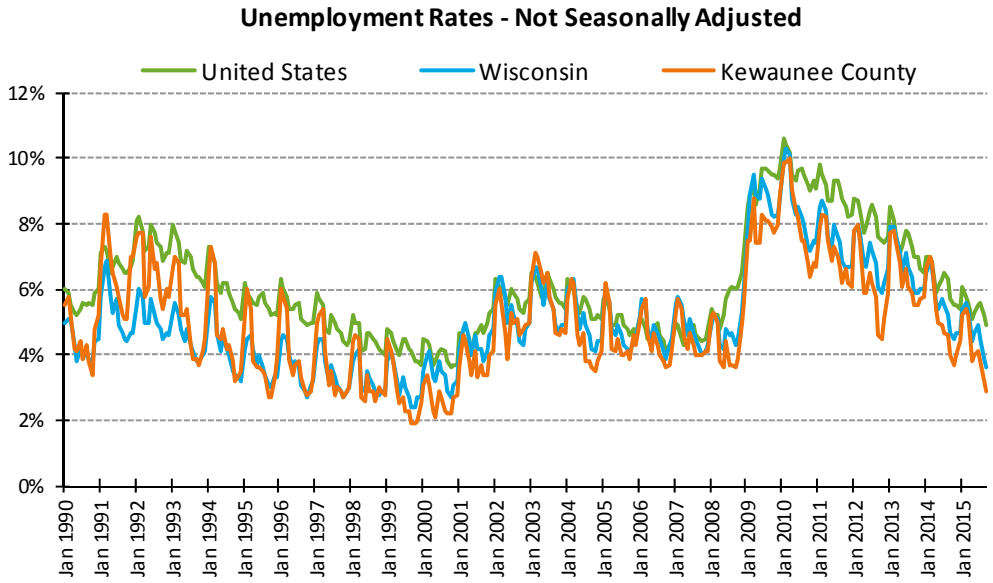
Components of Population Change



Source: Demographic Services Center, Wisconsin Department of Administration

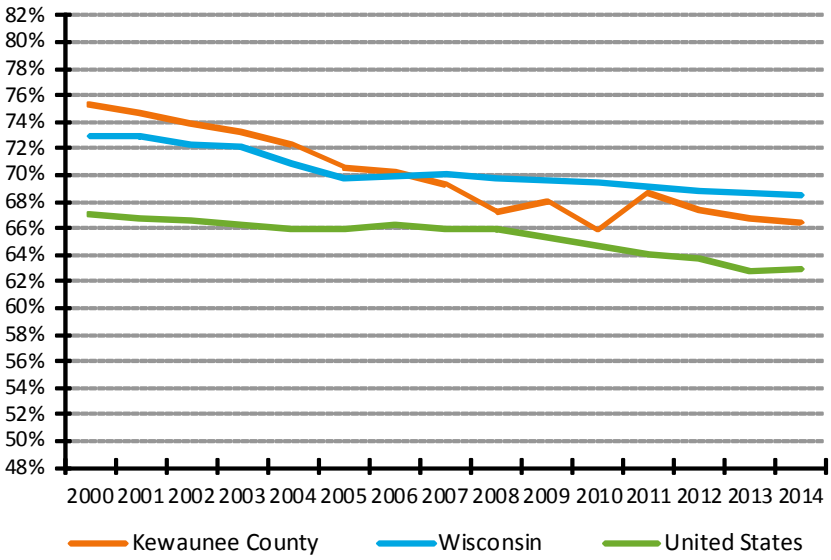
Labor Force Dynamics

A great deal of recent attention has been committed to changes in the Kewaunee County labor force over the past several years. Many of these conversations have focused on two related metrics — the county's unemployment rate and the relative ability of the county's employers to find needed talent. The narrative that has emerged in this dialogue has concluded that, as the county's unemployment rate has decreased precipitously since the peak of the 2007-2009 recession, employers have witnessed greater difficulty in finding needed workers. While there is a great deal of credence to this assumption, the cause of these issues is largely demographic.



Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

The chart above tracks Kewaunee County's unemployment rate against that of both the nation and state from January 1990 to September 2015. It is important to first note that significant seasonality exists in this data, reflecting calendar year changes in demand in industries ranging from construction to hospitality. The county's unemployment rate is presently at its lowest point in more than a decade. This is also true of the state, as a whole, which highlights common issues. The county's labor force has remained virtually unchanged over this period suggesting that individuals are finding employment more rapidly than new entrants are added.



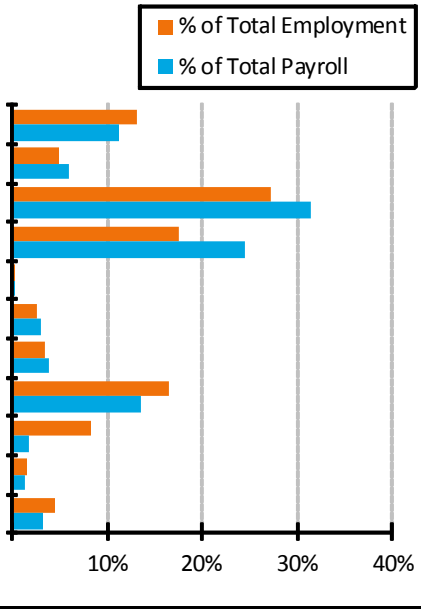
Source: Current Population Survey, U.S. Department of Commerce, Census Bureau

Kewaunee County's labor force participation rate has dipped below the state average over the past ten years. This closely mirrors changes in local unemployment and is also bolstered by a series of industry employment conditions that we

Industry Employment and Wages

2014 Employment and Wage Distribution by Industry in Kewaunee County

	Employment		
	Annual Average	1-year change	Total Payroll
Natural Resources	898	41	$ 28,776,674
Construction	334	3	$ 15,208,126
Manufacturing	1,874	-27	$ 81,053,109
Trade, Transportation, Utilities	1,207	-195	$ 63,250,583
Information	21	Not avail.	$ 278,687
Financial Activities	183	-6	$ 7,936,651
Professional & Business Services	230	-2	$ 10,149,164
Education & Health	1,134	-12	$ 35,077,912
Leisure & Hospitality	570	-6	$ 4,803,467
Other services	109	-4	$ 3,532,273
Public Administration	310	22	$ 8,263,865
Not assigned	0	Not avail.	$ 0
All industries	6,872	-195	$258,330,511



Source: WI DWD, DET, BWITS, Quarterly Census Employment and Wages, June 2015

will discuss in the coming pages.

The charts included on this page represent 2014 annual averages from the Quarterly Census of Employment and Wages. This program presents employment and wage data for more than 186,000 employers in Wisconsin and represent our most comprehensive look at industry dynamics. All industries employment in Kewaunee County decreased by 195 employees, suggesting that a number of key industry sectors have experienced little to no growth with one exception. This is particularly notable in many of the county's largest industry sectors. The Trade, Transportation, and Utilities sector lost 195 jobs, where the Education and Health Services sector experienced a modest loss. The most notable numerical employment growth occurred in the Natural Resources, Public Administration, and Construction sectors. The modest construction industry growth mirrors significant growth throughout the state as both the residential and commercial sectors have recovered to near pre-recessionary levels.

Average Annual Wage by Industry Division in 2014

	Wisconsin Average Annual Wage	Kewaunee County Average Annual Wage	Percent of Wisconsin	1-year % change
All industries	$ 43,856	$ 37,592	85.7%	-15.8%
Natural Resources	$ 36,156	$ 32,045	88.6%	6.2%
Construction	$ 55,317	$ 45,533	82.3%	4.1%
Manufacturing	$ 54,365	$ 43,251	79.6%	4.2%
Trade, Transportation & Utilities	$ 37,362	$ 52,403	140.3%	-42.8%
Information	$ 62,482	$ 13,271	21.2%	Not avail.
Financial Activities	$ 61,884	$ 43,370	70.1%	1.0%
Professional & Business Services	$ 52,386	$ 44,127	84.2%	8.4%
Education & Health	$ 44,829	$ 30,933	69.0%	5.0%
Leisure & Hospitality	$ 16,055	$ 8,427	52.5%	0.9%
Other Services	$ 25,847	$ 32,406	125.4%	6.3%
Public Administration	$ 44,462	$ 26,658	60.0%	1.3%

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

Employers in many of Kewaunee County's industry sectors continue to pay wages that are below state averages. The county annual average wage of $37,592 is 14.3 percent below the state average

Employment Projections

Bay Area Workforce Development Area Industry Projections, 2012-2022

Brown, Door, Florence, Kewaunee, Manitowoc, Marinette, Menominee, Oconto, Outagamie, Shawano and Sheboygan Counties

Industry	2012 Employment	Projected 2022 Employment	Change (2012-2022) Employment	Percent
All Industries	323,664	348,446	24,782	8%
Natural Resources	8,255	8,862	607	7%
Construction	10,700	12,705	2,005	19%
Manufacturing	67,700	68,837	1,137	2%
Trade, Transportation, and Utilities	55,602	58,517	2,915	5%
Information	2,879	3,084	205	7%
Financial Activities	16,123	17,420	1,297	8%
Professional and Business Services	27,659	32,241	4,582	17%
Education and Health Services	61,237	69,444	8,207	13%
Leisure and Hospitality	30,300	32,236	1,936	6%
Other Services	8,197	8,691	494	6%
Public Administration	17,188	18,085	897	5%
Self-Employed and Unpaid Family Workers	17,824	18,324	500	3%

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

and has decreased by 15.8 percent over the past year, reflecting the continuation of a drastic economic shift. It is difficult to ascertain whether wages have increased over this period among individuals in similar roles or if wages have increased by a more significant degree due to individuals changing roles either within or between organizations.

The largest difference between Kewaunee County and Wisconsin annual average industry wages can be found in the Trade, Transportation, and Utilities, and Other Services sectors where wages exceed the state average. These disparities are accounted for by differences in industry composition, especially in the Utilities sector. Differences among other large sectors can be generally accounted for by variations within the industry with a higher share of workers in Kewaunee County working for a concentration of local rather than regional or national employers. The wage disparities seen here are also offset to a large extent by a relatively lower cost of living.

Our focus now shifts to the consideration of potential future employment trends. The data presented on the next two pages has been produced as part of the Department's two-year long-range employment projections cycle. The current ten-year forecast examines employment over the period between 2012 and 2022 and has been published at both the state and Workforce Development Area level. The industry and occupational employment projections are presented for the eleven-county Bay Area Workforce Development Area. This region includes more than just the area directly impacted by the Kewaunee County regional economy. Industry employment in Kewaunee County only accounts for 2.1 percent of employment in the region. However, employment and economic dynamics are similar enough within all parts of the region to comment on general trends.

Employment across all industries is expected to grow by eight percent over the ten year period, or almost 25,000 workers. This projection only forecasts levels of filled positions rather than potential demand. This further supports the earlier assertion that the availability of labor throughout the region may be actively constraining employment growth. As the region's population continues to age and growth slows this will continue.

The most significant numerical growth is expected in the Education and Health Services (8,207) and Professional

Employment Projections

Bay Area Workforce Development Area Occupation Projections, 2012-2022

Brown, Door, Florence, Kewaunee, Manitowoc, Marinette, Menominee, Oconto, Outagamie, Shawano and Sheboygan Counties

	Employment				Average Annual Openings			
			Change (2012-2022)			Due to		Median
Occupation Group	2012	2022	Number	Percent	Due to Growth	Replace-ment	Total Openings	Annual Wage
All Occupations	323,664	348,446	24,782	8%	2,689	7,614	10,303	$ 33,670
Management	15,139	16,313	1,174	8%	119	308	427	$ 82,570
Business and Financial	13,645	14,838	1,193	9%	122	281	403	$ 53,758
Computer and Mathematical	5,759	6,439	680	12%	70	95	165	$ 63,339
Architecture and Engineering	5,364	5,664	300	6%	35	131	166	$ 64,071
Life, Physical, and Social Science	3,705	3,979	274	7%	28	123	151	$ 50,119
Community and Social Service	3,406	3,731	325	10%	32	80	112	$ 37,766
Legal	1,036	1,210	174	17%	17	17	34	$ 56,297
Education, Training, and Library	17,164	18,467	1,303	8%	130	371	501	$ 44,662
Arts, Entertainment and Media	4,701	5,026	325	7%	38	109	147	$ 36,214
Healthcare Practitioners	16,057	19,184	3,127	19%	313	328	641	$ 57,592
Healthcare Support	7,988	9,083	1,095	14%	110	152	262	$ 28,272
Protective Service	5,844	6,251	407	7%	42	173	215	$ 31,062
Food Preparation and Serving	26,386	27,977	1,591	6%	168	987	1,155	$ 18,564
Building & Grounds Maintenance	10,267	11,545	1,278	12%	128	210	338	$ 22,720
Personal Care and Service	14,154	16,050	1,896	13%	194	277	471	$ 21,364
Sales and Related	31,092	32,432	1,340	4%	147	942	1,089	$ 24,086
Office and Administrative Support	44,891	47,632	2,741	6%	321	1,028	1,349	$ 31,575
Farming, Fishing, and Forestry	3,333	3,531	198	6%	23	89	112	$ 32,025
Construction and Extraction	12,254	14,016	1,762	14%	176	196	372	$ 45,684
Installation, Maintenance, Repair	12,081	12,941	860	7%	94	273	367	$ 42,013
Production	43,393	44,645	1,252	3%	221	864	1,085	$ 35,008
Transportation & Material Moving	26,005	27,492	1,487	6%	160	583	743	$ 30,799

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

and Business Services (4,582) industry sectors. This is equal to 13 and 17 percent period growth, a rate only eclipsed by anticipated growth in the Construction sector (19 percent).

Growth in a number of other industry sectors are significant with a pair of notable outliers. Public sector and trade, transportation and utilities employment is expected to be constrained over the next decade as the work-force in this sector continues to age more rapidly than the population as a whole. Manufacturing employment is also expected to grow more modestly at three percent, slightly exceeding anticipated statewide sector growth of two percent.

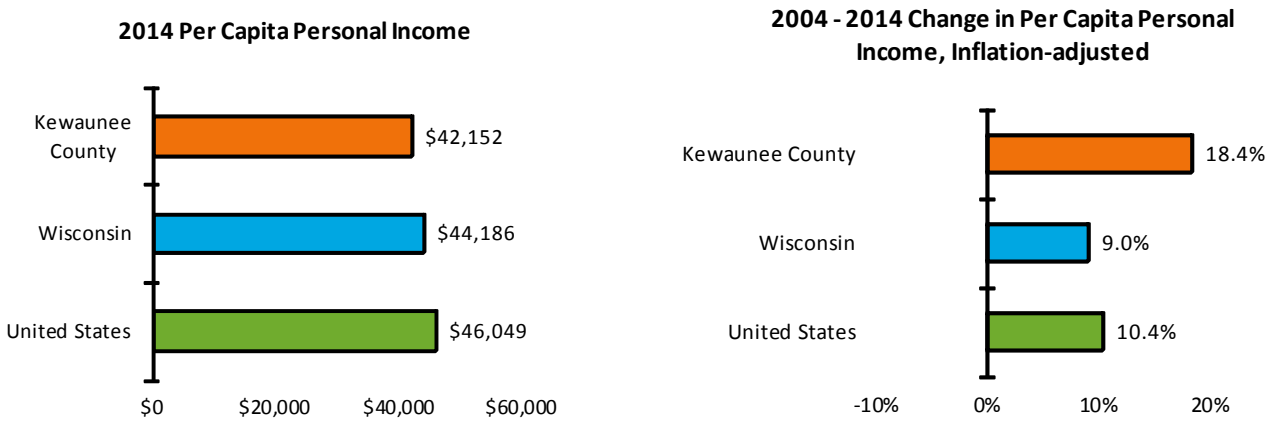
An examination of projected occupational employment growth reveals a possible explanation for the moderate growth rates anticipated in a number of the region's largest industry sectors. We first see that the most signifi-cant occupational growth can be observed in a number of occupational categories largely concentrated in the Health Services sector, including Healthcare Practitioners, Healthcare Support, and Personal Care and Services workers. Significant growth is also anticipated in many other occupational sectors, supporting the narrative of long-range stability in many of the region's largest industries.

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%
Kewaunee County	$29,292	$35,602	$42,152	43.9%	18.4%

Source: Bureau of Economic Analysis

The final topic to be considered in this profile is that of personal income. It is again important to note that personal income differs from wage income in that wage income is one component of personal income, but personal income also includes secondary income sources such as rental and dividend income and transfer payments. Kewaunee County's per capita personal income in 2014 was $42,152, or $2,034 lower than the state average. This places Kewaunee County towards the bottom of Wisconsin's 72 counties ranked by income. This measure is below the national average of $46,049 by 9.2 percent, having fallen further behind the national average over



Source: Bureau of Economic Analysis

the past decade as both nominal and inflation-adjusted per capita personal income in Kewaunee County continue to be below national averages. Over the course of the decade national income growth has significantly outpaced local growth. This is largely due to slowing wage growth within the county. This is further attributed to differences in both industry and occupation composition of the region compared to national averages. Kewaunee County's utilities sector continues to pay significantly higher wages, but have shed a large share of its employment over the past four years, for example. As the character of many of the region's most prominent industry sectors continues to change we should expect this difference to once again narrow. This, however, may be offset by growth in a number of other income areas, especially related to an aging and retired population. This again suggests that the region should continue to enjoy some measure of economic prosperity in the near future.

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