

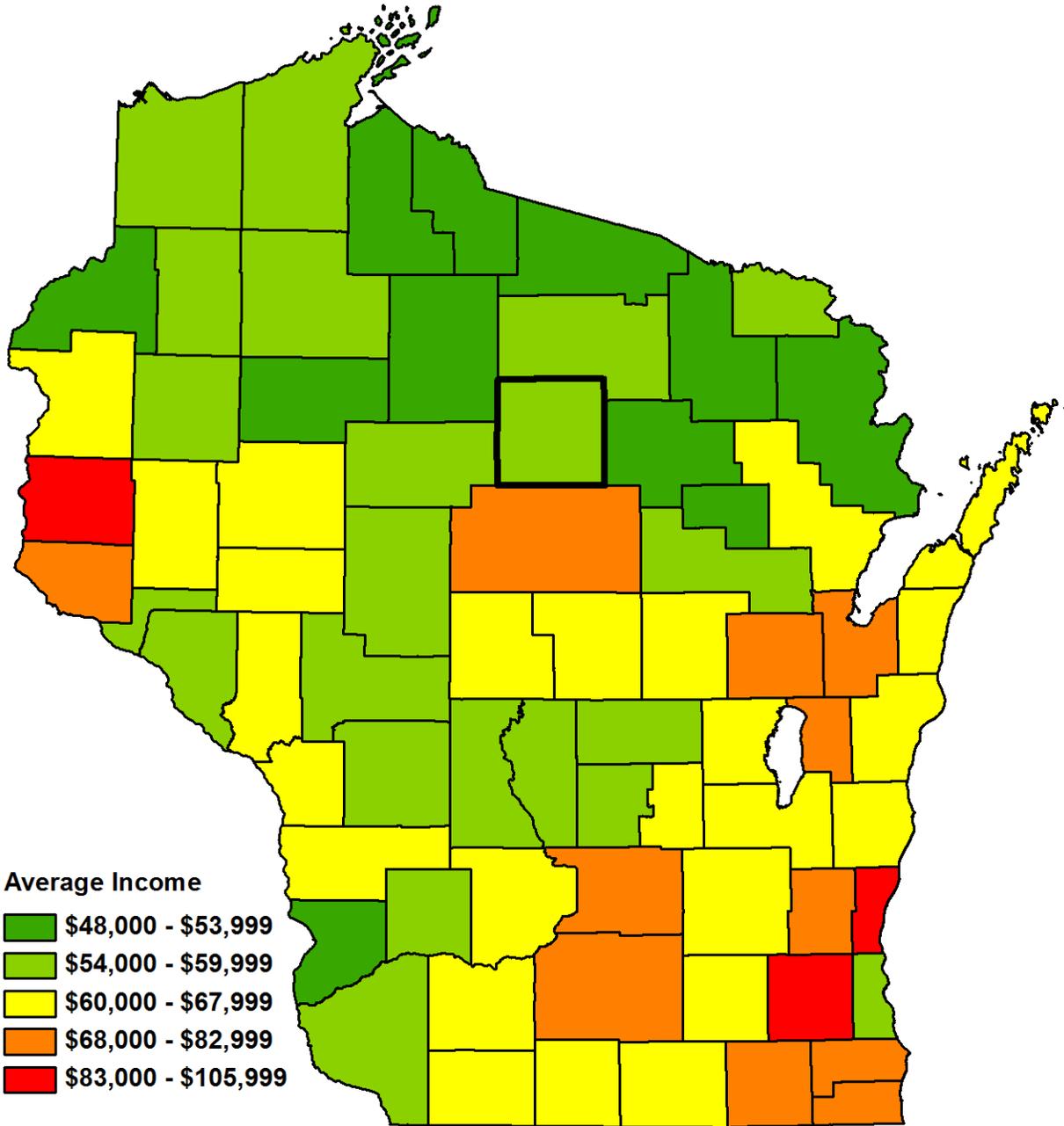


Lincoln County

WORKFORCE & ECONOMIC 2015 PROFILE



Average Household Income By County



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

2015 Lincoln 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.

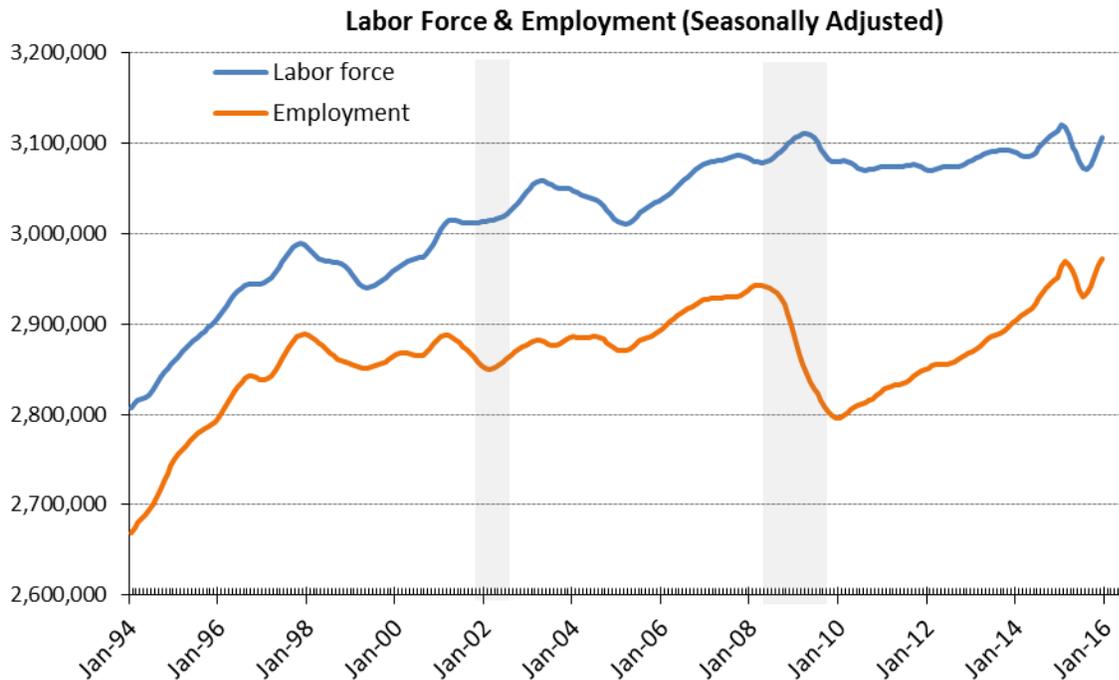
So what is it, six years after the recession ended, that is holding the national economy back from even stronger growth? A variety of factors are having an impact, such as: flat real wages, lack of business investment, focus of business investment, slower global economic growth, a stronger U.S. currency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

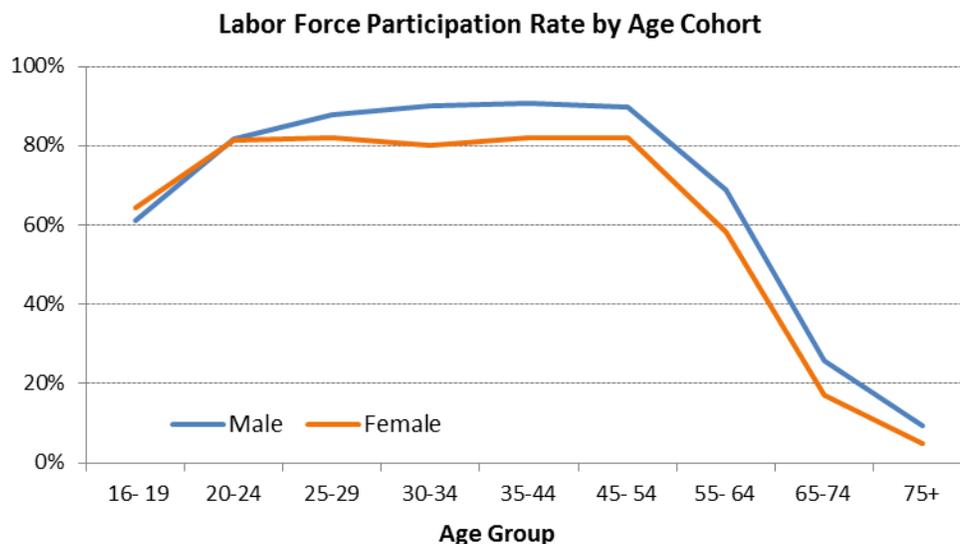
Businesses will be competing not only with each other for workers with similar skills, but also with entities of other disciplines. For example, one company may try to recruit a math teacher to become a computer programmer. Then the school will have to find another math teacher from, say, an insurance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

Lincoln 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%
Lincoln County	28,743	28,835	92	0.3%
Merrill, City	9,661	9,573	-88	-0.9%
Tomahawk, City	3,397	3,335	-62	-1.8%
Merrill, Town	2,980	2,999	19	0.6%
Bradley, Town	2,408	2,441	33	1.4%
Pine River, Town	1,869	1,883	14	0.7%
Scott, Town	1,432	1,442	10	0.7%
Schley, Town	934	929	-5	-0.5%
Corning, Town	883	881	-2	-0.2%
King, Town	855	874	19	2.2%
Harrison, Town	833	842	9	1.1%

Source: Demographic Services Center, Wisconsin Department of Administration

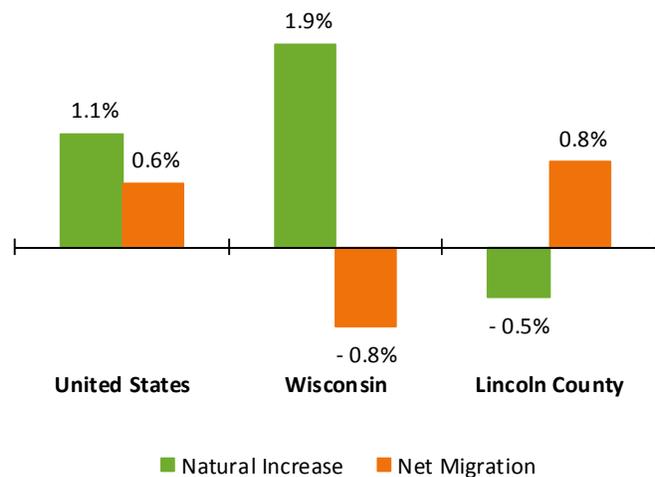
From the 2010 Census to early 2015, Lincoln County's estimated population increased by ninety-two residents. This population growth rate is comparable to the rate in Wisconsin. However, Lincoln County and Wisconsin differ in their components of change, natural population change and net migration.

Natural population change measures the difference between births and deaths in an area. Whereas Wisconsin a 1.9 percent increase from natural population change, Lincoln County had a 0.5 percent decrease. Natural population change is particularly sensitive to age. The decrease in Lincoln County reflects its older population. While the median age in Wisconsin is 39.2 years, the median age in Lincoln County is 46.5 years.

Net migration measures the difference between residents moving into and residents moving out of an area. While Wisconsin had a net migration decrease, Lincoln County had a 0.8 percent increase in its population as a result of net migration.

Over 87 percent of the population lives in Lincoln County's ten most populous municipalities. Within these municipalities, the population decreased by fifty-three residents. The cities of Merrill and Tomahawk both lost residents. However, the eleventh most populous municipality, the town of Birch, had the greatest increase of Lincoln County's municipalities with a gain of ninety-eight residents, a 16.5 percent gain. Population change was proportionally modest in the ten most populous municipalities.

Components of Population Change



Source: Demographic Services Center, Wisconsin Department of Administration



Labor Force Dynamics

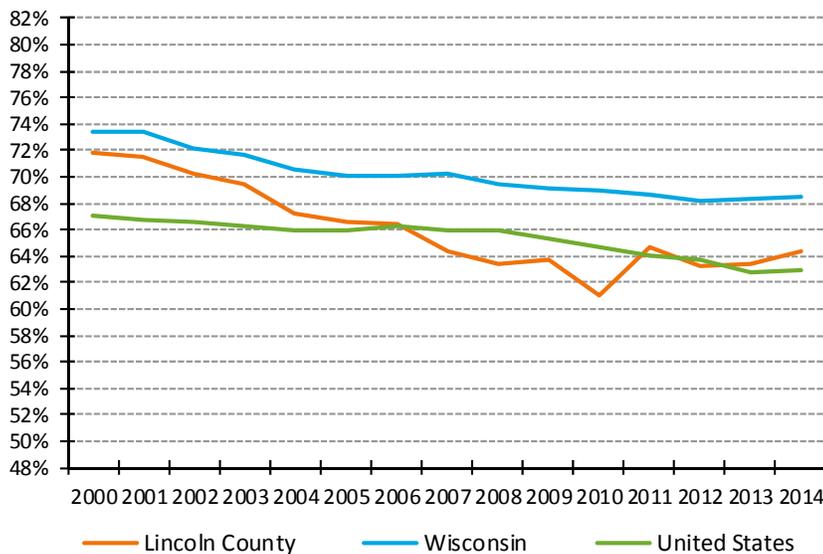
In considering the full range of the data, Lincoln County's unemployment rate has moved from being below the national rate in the mid 1990s to being more comparable to the state and national rate in recent times.

Additionally, Lincoln County's unemployment rate experiences large fluctuations during the course of a year. For many counties

within Wisconsin, higher levels of unemployment occur over the first months of the year. Weather-dependent industry sectors such as Construction, tourism-related sectors, and subsectors in Manufacturing such as food-processing and heating/air conditioning production experience decreases in employment during the first several months of the year. Seasonal fluctuations in Lincoln County's unemployment rate arise in part from jobs in the Trade, Transportation, & Utilities; Leisure & Hospitality; and Construction sectors.

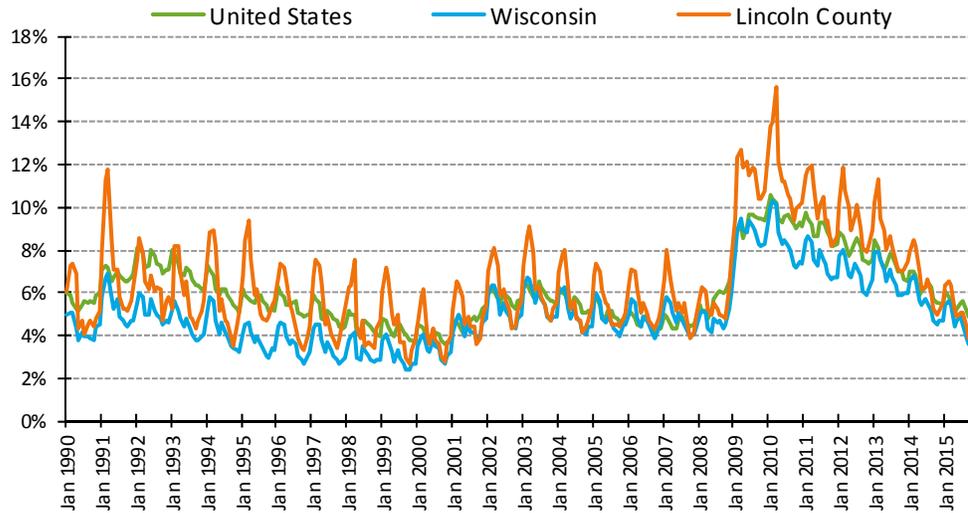
The Labor Force Participation Rate (LFPR) is the number of persons employed or unemployed, collectively known as the labor force, divided by the number of persons age 16 and older. Lincoln County is estimated to

Labor Force Participation Rates



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

Unemployment Rates - Not Seasonally Adjusted



Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

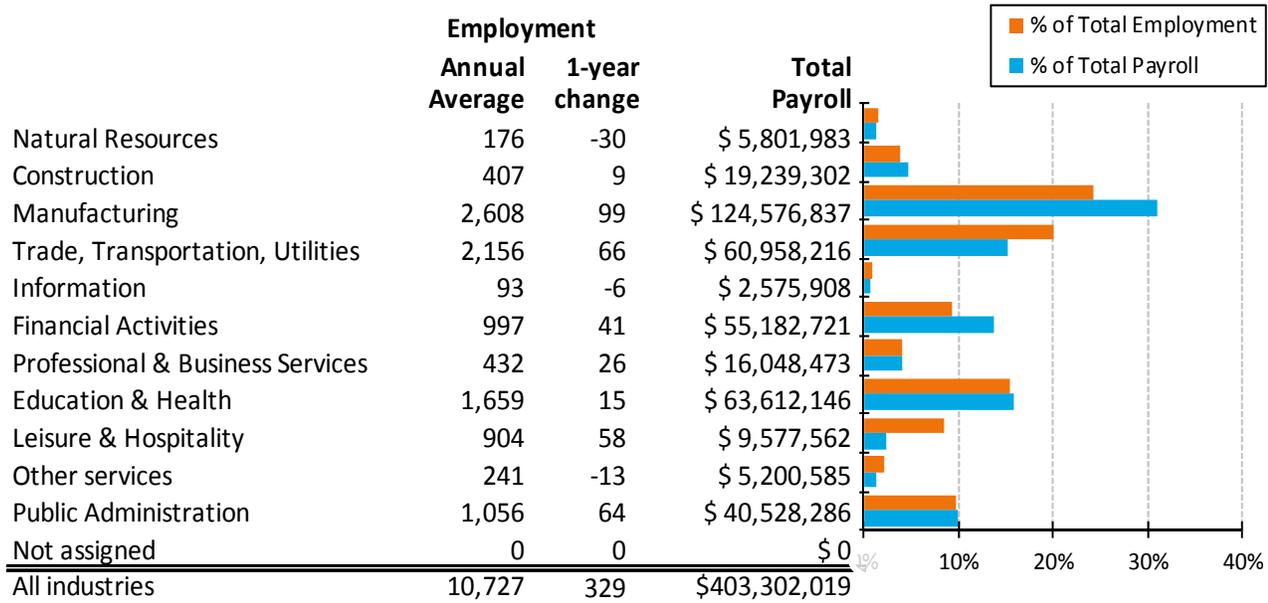
have an LFPR of 64.4 percent in 2014; a rate lower than the state rate at 68.5 percent but higher than the national rate at 62.9 percent. Lincoln County's LFPR has decreased at a faster rate than the state and nation.

The LFPR can reflect both economic conditions and demographic changes. For instance, an aging population usually results in a lower LFPR as fewer residents participate in the labor force due to retirements. The lower LFPR in Lincoln County in part reflects its older population.



Industry Employment and Wages

2014 Employment and Wage Distribution by Industry in Lincoln County



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

From the Quarterly Census of Employment and Wages (QCEW) program, trends in the industry sector composition of Lincoln County can be examined. While labor force information examines the employment status of Lincoln County residents, this information is based on establishments located within Lincoln County.

The Trade, Transportation, & Utilities; Manufacturing; and Education & Health Services sectors have the largest share of jobs in Lincoln County. Together, these sectors accounted for over 59 percent of jobs in 2014. The Manufacturing sector had the largest increase from 2013 to 2014 with a gain of ninety-nine workers, a 3.9 percent increase. The Leisure & Hospitality sector experienced the largest proportional gain at 6.9 percent. The Natural Resources sector experienced the largest decrease at thirty workers, a 14.6 percent decrease.

Average Annual Wage by Industry Division in 2014

	Wisconsin Average Annual Wage	Lincoln County Average Annual Wage	Percent of Wisconsin	1-year % change
All industries	\$ 43,856	\$ 37,597	85.7%	2.7%
Natural Resources	\$ 36,156	\$ 32,966	91.2%	-2.2%
Construction	\$ 55,317	\$ 47,271	85.5%	6.3%
Manufacturing	\$ 54,365	\$ 47,767	87.9%	-0.7%
Trade, Transportation & Utilities	\$ 37,362	\$ 28,274	75.7%	-1.5%
Information	\$ 62,482	\$ 27,698	44.3%	-0.4%
Financial Activities	\$ 61,884	\$ 55,349	89.4%	6.8%
Professional & Business Services	\$ 52,386	\$ 37,149	70.9%	2.3%
Education & Health	\$ 44,829	\$ 38,344	85.5%	11.8%
Leisure & Hospitality	\$ 16,055	\$ 10,595	66.0%	6.6%
Other Services	\$ 25,847	\$ 21,579	83.5%	8.9%
Public Administration	\$ 44,462	\$ 38,379	86.3%	-1.3%

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

While the average wage in Lincoln County increased from 2013 to 2014 by 2.7 percent, it is lower than the state average in every sector. The average wage in the Information sector is lower at 44.3 percent of the state average. Wage growth was highest in the Education & Health Services sector while the largest decrease occurred in the Natural Resources sector.

Employment Projections

North Central Workforce Development Area Industry Projections, 2012-2022 Adams, Forest, Langlade, Lincoln, Marathon, Oneida, Portage, Vilas and Wood Counties

Industry	2012	Projected	Change (2012-2022)	
	Employment	2022 Employment	Employment	Percent
All Industries	190,647	204,652	14,005	7%
Natural Resources	2,907	2,657	-250	-9%
Construction	5,925	7,006	1,081	18%
Manufacturing	30,819	31,263	444	1%
Trade, Transportation, and Utilities	43,393	45,964	2,571	6%
Information	2,232	2,370	138	6%
Financial Activities	12,315	13,176	861	7%
Professional and Business Services	9,860	11,654	1,794	18%
Education and Health Services	35,891	40,945	5,054	14%
Leisure and Hospitality	18,269	19,693	1,424	8%
Other Services	6,122	6,447	325	5%
Public Administration	12,484	12,893	409	3%
Self-Employed and Unpaid Family Workers	10,430	10,584	154	1%

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

In addition to looking at the current state of the economy in Lincoln County, it is useful to look at projections of how employment in the area is expected to change. What follows are projections of employment changes by industry sector and by occupation. Please note that these projections are for the collective counties of Adams, Forest, Langlade, Lincoln, Marathon, Oneida, Portage, Vilas, and Wood. Together, these nine counties form the North Central Workforce Development Area.

These projections use information from the QCEW program, including unpublished data from the Bureau of Labor Statistics as well as data from the Current Population Survey from the Census Bureau. While these projections take into account anticipated changes in Wisconsin's economy, please note that unanticipated events may affect the accuracy of the projections.

In 2012, the area's three largest industry sectors by jobs were the Trade, Transportation, & Utilities; Education & Health Services; and Manufacturing sectors. Together, these sectors represented over 57 percent of jobs in 2012 and are expected to continue as the three largest in 2022. The Education & Health Services sector is projected to gain more jobs than the other two sectors. Overall, there are 14,005 more jobs projected in 2022, a seven percent increase from 2012.

The share of total jobs by industry sector is projected to change little through 2022. The Manufacturing sector is projected to have the largest decline in share of jobs even with an increase in employment. From 2012 to 2022, the share of jobs in the Manufacturing sector is projected to decrease from 16.2 percent to 15.3 percent. The share of jobs in the Education & Health Services sector is projected to have the largest gain.

Furthermore, the Education & Health Services sector is projected to have the largest numeric gain in jobs with 5,054 additional jobs in 2022, a 14 percent gain from 2012. The largest proportional increases are projected in the Professional & Business Services and Construction sectors with an 18 percent increase in jobs for each. Most sectors are projected to gain jobs by 2022. One sector, Natural Resources, is expected to contract with a projected decrease of 250 jobs from 2012 to 2022, a nine percent decrease.

2015 Lincoln County Workforce Profile

Employment Projections

North Central Workforce Development Area Occupation Projections, 2012-2022

Adams, Forest, Langlade, Lincoln, Marathon, Oneida, Portage, Vilas and Wood 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	190,647	204,652	14,005	7%	1,594	4,424	6,018	\$ 32,649.00
Management	8,273	8,874	601	7%	63	167	230	\$ 76,839.00
Business and Financial	8,007	8,568	561	7%	61	167	228	\$ 50,519.00
Computer and Mathematical	3,956	4,441	485	12%	50	64	114	\$ 61,197.00
Architecture and Engineering	2,309	2,409	100	4%	11	55	66	\$ 59,012.00
Life, Physical, and Social Science	1,264	1,465	201	16%	21	40	61	\$ 47,098.00
Community and Social Service	1,880	1,954	74	4%	8	44	52	\$ 44,283.00
Legal	792	887	95	12%	10	13	23	\$ 53,887.00
Education, Training, and Library	3,994	4,169	175	4%	20	88	108	\$ 44,734.00
Arts, Entertainment and Media	2,211	2,348	137	6%	18	53	71	\$ 34,565.00
Healthcare Practitioners	12,779	15,036	2,257	18%	226	254	480	\$ 58,750.00
Healthcare Support	6,667	7,575	908	14%	91	127	218	\$ 27,739.00
Protective Service	3,246	3,423	177	5%	18	94	112	\$ 37,978.00
Food Preparation and Serving	15,595	16,667	1,072	7%	109	576	685	\$ 18,507.00
Building & Grounds Maintenance	6,057	6,856	799	13%	80	122	202	\$ 22,922.00
Personal Care and Service	7,831	8,990	1,159	15%	116	128	244	\$ 21,536.00
Sales and Related	18,854	19,508	654	3%	78	592	670	\$ 22,627.00
Office and Administrative Support	30,469	31,971	1,502	5%	191	711	902	\$ 29,930.00
Farming, Fishing, and Forestry	2,536	2,224	-312	-12%	0	48	48	\$ 23,063.00
Construction and Extraction	7,544	8,603	1,059	14%	106	125	231	\$ 42,972.00
Installation, Maintenance, Repair	8,349	8,737	388	5%	47	184	231	\$ 38,195.00
Production	21,302	21,788	486	2%	118	421	539	\$ 32,731.00
Transportation & Material Moving	16,732	18,159	1,427	9%	152	352	504	\$ 32,390.00

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

In 2012, the area's largest occupation group was Office & Administrative Support with 30,469 jobs, 16 percent of total employment. Of the twenty-two occupation groups, the top five together accounted for 54 percent of jobs. While these five groups are projected to remain the top groups in 2022, the share of jobs within these groups is projected to decline to 52.8 percent of jobs.

The share of total jobs by occupational group is projected to change little through 2022. However, the top three groups, Office & Administrative Support; Production; and Sales & Related, are projected to experience the largest decreases in share. The Healthcare Practitioners & Technical group is projected to have the largest gain in share, with a rise from 6.7 percent to 7.3 percent of jobs between 2012 and 2022.

Furthermore, the largest numeric and proportional gain in jobs is projected in the Healthcare Practitioners group with an increase of 2,257 jobs by 2022, an 18 percent gain. The Life, Physical, & Social Science group is projected to experience the second largest proportional gain in jobs though, due to its small size, the anticipated numeric gain of 201 is modest. The Farming, Fishing, and Forestry occupation group is projected to experience a decrease of 312 jobs by 2022, a 12 percent decline. All other occupation groups are projected to add jobs.

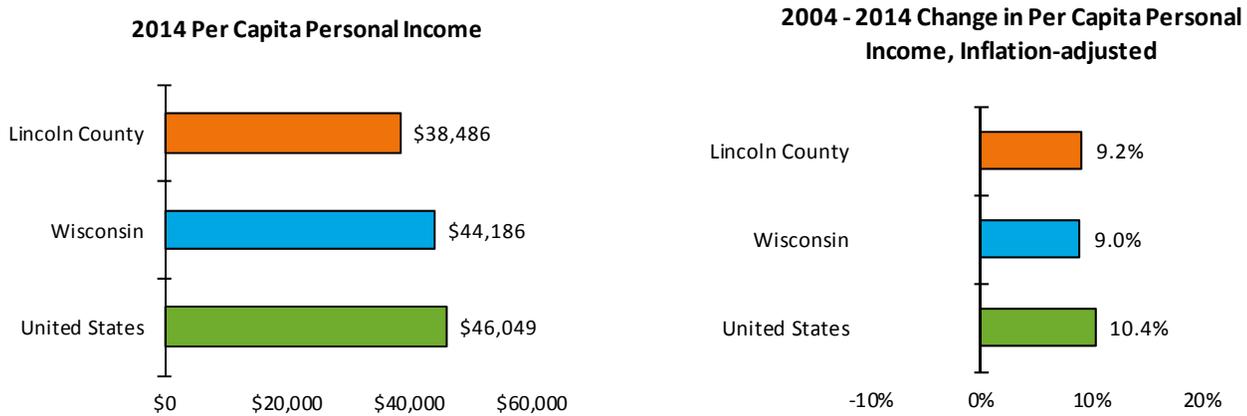
Personal Income

	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%
Lincoln County	\$28,999	\$35,246	\$38,486	32.7%	9.2%

Source: Bureau of Economic Analysis

To compare economic well-being among different areas, one often uses Per Capita Personal Income (PCPI). PCPI is the Total Personal Income (TPI) of an area divided by its population. TPI is the sum of employment earnings, rental property income, personal dividend income, personal interest income, and personal current transfer receipts such as Social Security, Medicare/Medicaid, public assistance, veterans' benefits, Unemployment Insurance, and other government payments.

From 2004 to 2014, Lincoln County experienced a 9.2 percent gain in its inflation-adjusted PCPI. This gain



Source: Bureau of Economic Analysis

was similar to the 9.0 percent gain in the state but lower than the 10.4 percent gain in the nation. However, although Lincoln County's PCPI experienced gains similar to the state, its nominal value sits below the state and nation. In 2014, the nominal PCPI of Lincoln County was \$38,486.

The share of income by its components in Lincoln County differs from the share of income in the United States and Wisconsin. Typically, wage earnings are the most prominent source of income. While wage earnings are the largest source of income in Lincoln County, they are a smaller share of income compared to the state. Personal current transfer receipts represent 24 percent of income in Lincoln County compared to 17.3 percent in the state. A higher share of income coming from personal current transfer receipts is often associated with an older population. Lower wages from employers are also reflected in the lower PCPI of Lincoln County.

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