

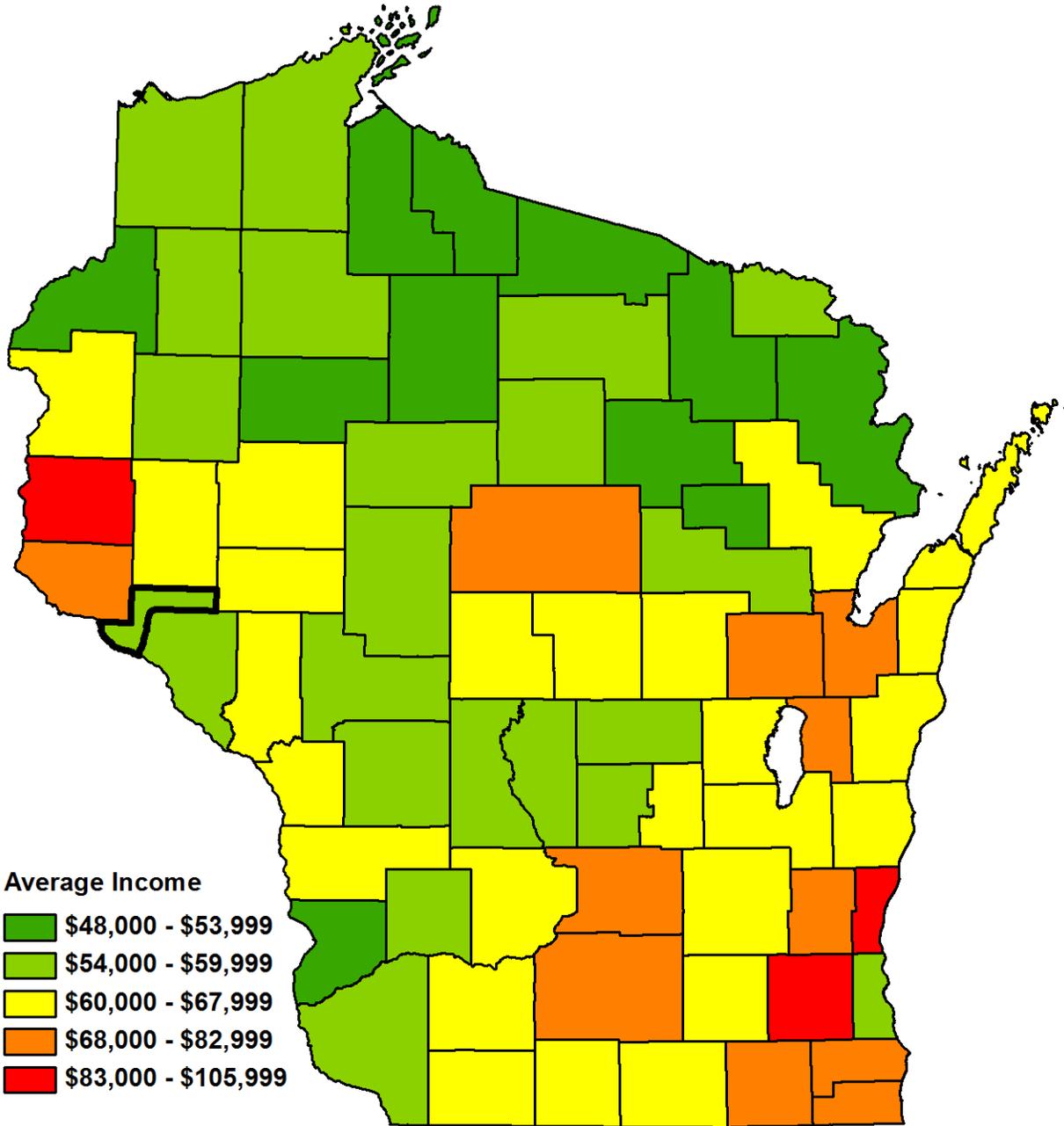


Pepin County

WORKFORCE & ECONOMIC 2015 PROFILE



Average Household Income By County



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

2015 Pepin 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.

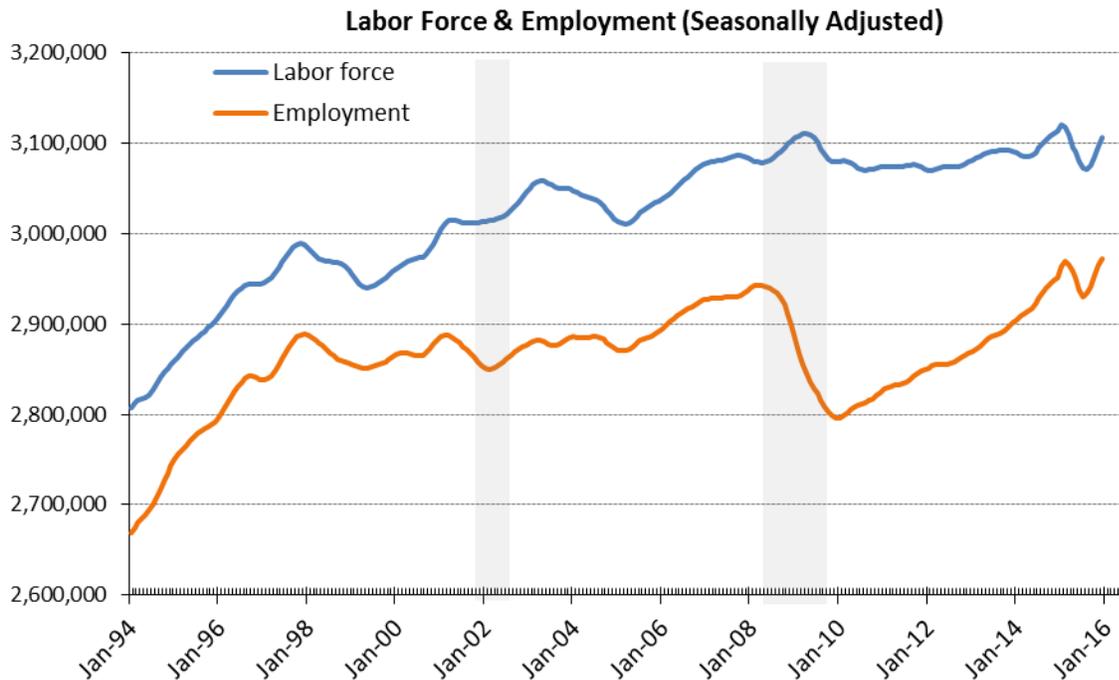
So what is it, six years after the recession ended, that is holding the national economy back from even stronger growth? A variety of factors are having an impact, such as: flat real wages, lack of business investment, focus of business investment, slower global economic growth, a stronger U.S. currency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

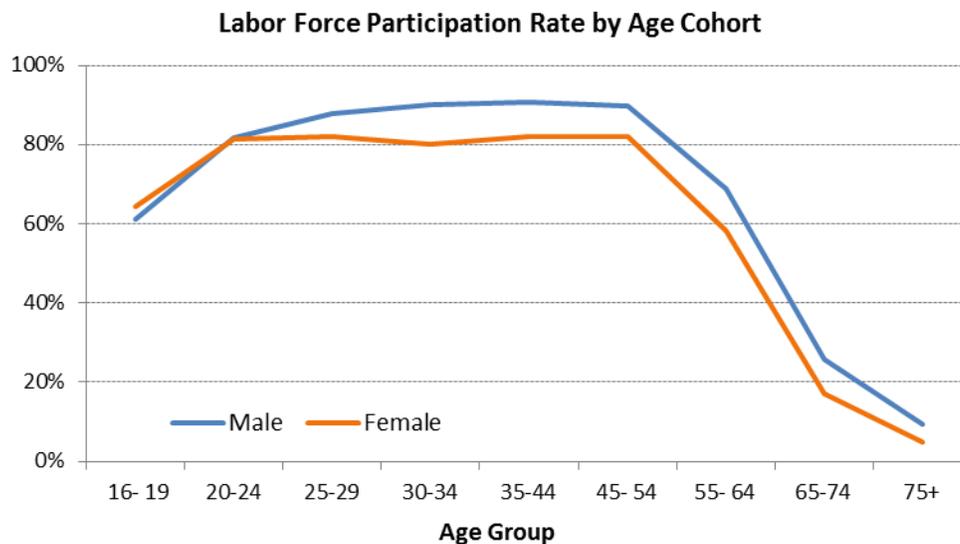
Businesses will be competing not only with each other for workers with similar skills, but also with entities of other disciplines. For example, one company may try to recruit a math teacher to become a computer programmer. Then the school will have to find another math teacher from, say, an insurance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

Pepin 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%
Pepin County	7,469	7,418	-51	-0.7%
Durand, City	1,931	1,875	-56	-2.9%
Waterville, Town	831	831	0	0.0%
Pepin, Village	837	823	-14	-1.7%
Durand, Town	742	750	8	1.1%
Pepin, Town	721	732	11	1.5%
Lima, Town	702	686	-16	-2.3%
Albany, Town	676	670	-6	-0.9%
Waubeek, Town	423	432	9	2.1%
Frankfort, Town	343	352	9	2.6%
Stockholm, Town	197	201	4	2.0%

Source: Demographic Services Center, Wisconsin Department of Administration

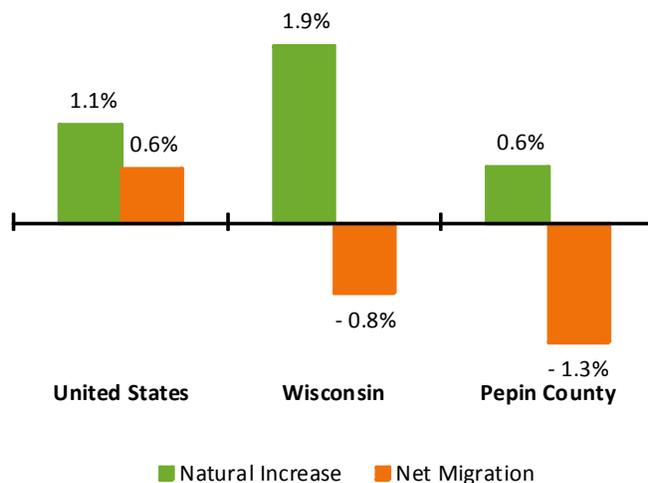
Pepin County lost 51 residents from April 2010 to January 2015, declining at a rate of -0.7%, versus the statewide growth rate of 1.2%. Pepin had the largest decline (in percentage terms) of any Wisconsin county.

Net migration, which is defined as people moving into the county minus those leaving, was negative for the period studied, as it was in 40 Wisconsin counties over the last five years. Population change due to net-migration was -1.3% from 2010 to 2015, compared to the drop in the statewide figure of -0.8%.

Growth due to natural increase (as seen on the graph below) was 0.6% in Pepin County, lower than the statewide percentage gain. A low rate of natural increase tends to indicate an older population, with fewer younger residents starting families. While in fact Pepin's birth rate is relatively high historically, the median age tells the story here. Pepin County's median age of 44.9 is ranked the 22nd highest in the state (ACS, 2008-2012). Natural increase is births minus deaths, and in Pepin's case those two numbers are fairly close. So despite a high birth rate, the older population with a higher number of deaths balances that out in net terms. Being such a small county, both geographically and in population, it does not take a great deal of residential flux to influence growth rates. So while the birth rate indicates that many of those in the family starting age cohort are doing so, the majority of the population appears to be older. This will have impacts on Pepin's future development.

As mentioned earlier, small changes can have a big impact in a county of Pepin's size. The largest community in the county, the City of Durand, posted a small loss of resi-

Components of Population Change



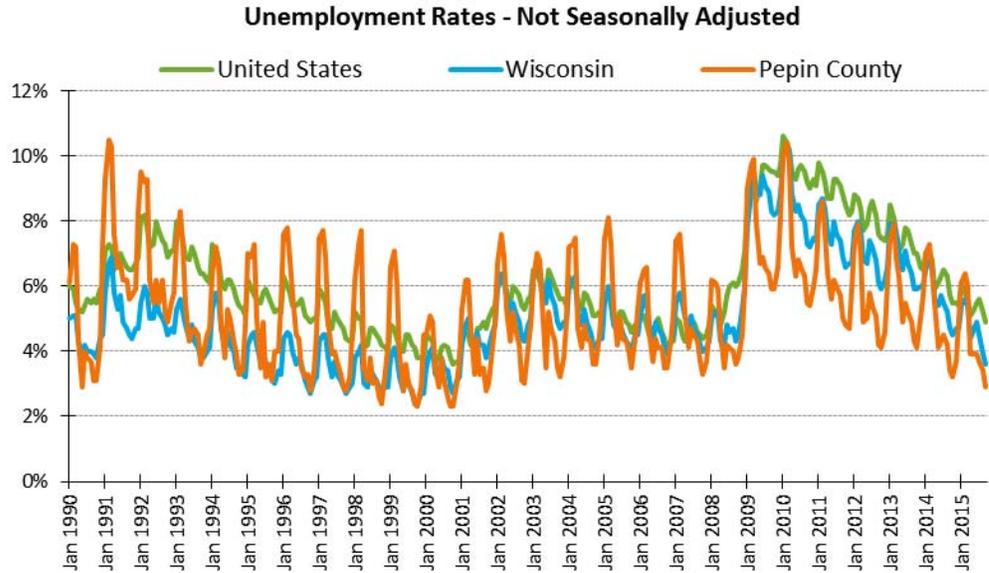
Source: Demographic Services Center, Wisconsin Department of Administration



Labor Force Dynamics

dents, as did some other municipalities. Others exhibited small gains, although it's difficult to spot trends with changes this small.

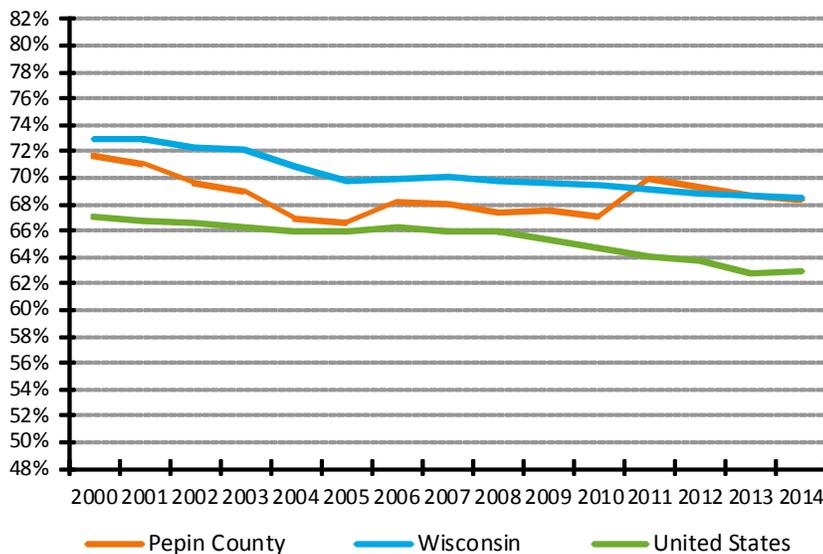
The graph to the upper right displays Pepin County's monthly unemployment rate over the last 25 years comparing it to the state and nation. Pepin's rate of 2.9% is fairly low historically speaking, although not as low as during the booming economy of the late 1990s as seen above. While an improved economy is partially responsible for today's low unemployment rates, the trend of slow labor force growth due to baby boomers leaving the labor force also impacts the rates.



Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

The graph to the bottom left is the fourteen-year trend in labor force participation rate (LFPR). LFPR is defined as the labor force (sum of employed and unemployed) divided by total population ages 16 and older. Pepin County's annual average LFPR was 68.3% in 2014, higher than the national (62.9%) average, but close to the statewide (68.5%) average. Pepin's LFPR was ranked 26th highest in the state.

Labor Force Participation Rates



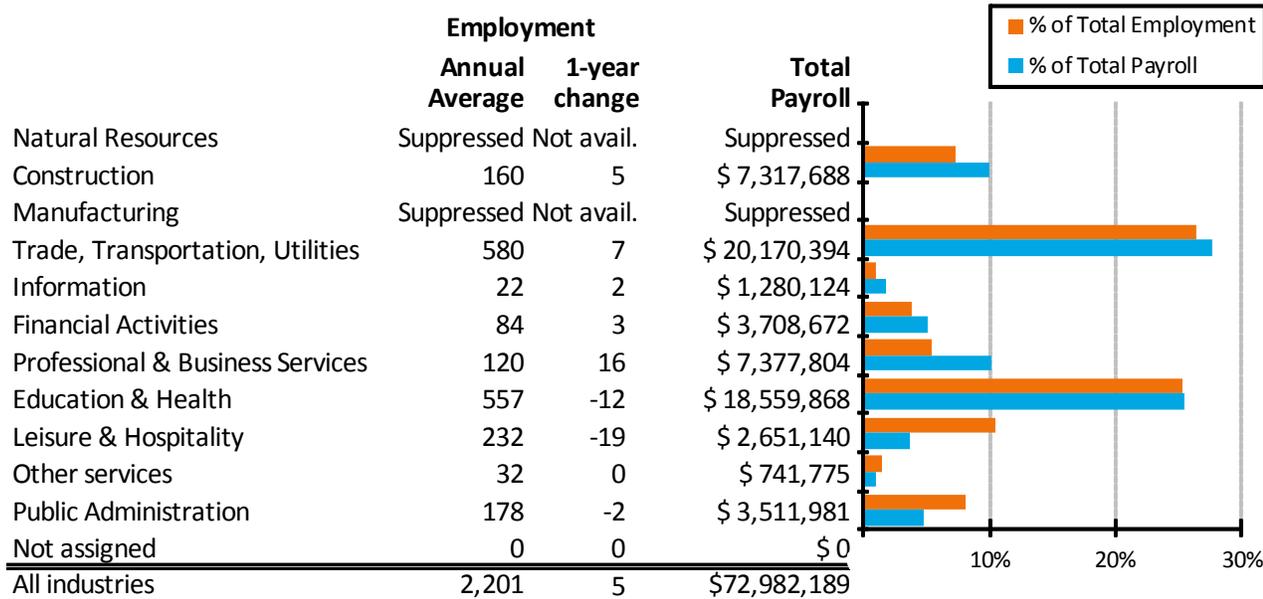
LFPR over the last decade shows an overall downward trend, as the population skews older. Some of the baby boomer generation has already reached retirement age, and participation rates reflect this shift. In Pepin's case the drop in LFPR was initially much steeper than other counties around the state, though it has rebounded since end of the recession. However, the trend is still downwards, given Pepin's aging population.

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



Industry Employment and Wages

2014 Employment and Wage Distribution by Industry in Pepin County



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

Pepin County’s job growth was roughly 0.2% from 2013 to 2014, ranking it 47th among the state’s 72 counties, by percent change, although this only represents a gain of five jobs. This was all a recent gain, as the longer term change from 2009 to 2014 was negative, -0.5%, although again, this change was only a loss of 11 jobs, ranking the county 55th. Wages grew by 4.1% (vs. the statewide average of 3.8%), with Pepin’s all industry wage still only at 75.6% of the statewide level, slightly higher than in the last profile in 2013. Pepin’s all industry wage was \$33,159, up 3.9%, which ranked it 25th fastest in Wisconsin by percent change.

Trade, transportation and utilities, the largest industry super-sector by total employment, recently overtaking education and health, was relatively unchanged from 2013 to 2014, adding 7 jobs. Wages in this super-sector are 93.1% of the statewide average in 2014, rising by 2.2% from 2013 to 2014, and also up compared to the statewide average for this sector since the

2013 Pepin County profile.

Wholesale trade gained most of the jobs in this super-sector, with some relatively large farm equipment/supply in the county emphasizing Pepin’s rural nature.

Education and health, the second largest industry super-sector of employment listed in Pepin County, lost 12 jobs from 2013 to 2014. Both education and healthcare lost jobs. Wages in education and health are about 74.3% of the statewide average. Both sub-sectors are equally re-

Average Annual Wage by Industry Division in 2014

	Wisconsin Average Annual Wage	Pepin County Average Annual Wage	Percent of Wisconsin	1-year % change
All industries	\$ 43,856	\$ 33,159	75.6%	3.9%
Natural Resources	\$ 36,156	suppressed	Not avail.	Not avail.
Construction	\$ 55,317	\$ 45,736	82.7%	-0.7%
Manufacturing	\$ 54,365	suppressed	Not avail.	Not avail.
Trade, Transportation & Utilities	\$ 37,362	\$ 34,777	93.1%	2.2%
Information	\$ 62,482	\$ 58,187	93.1%	-9.8%
Financial Activities	\$ 61,884	\$ 44,151	71.3%	0.1%
Professional & Business Services	\$ 52,386	\$ 61,482	117.4%	10.7%
Education & Health	\$ 44,829	\$ 33,321	74.3%	2.1%
Leisure & Hospitality	\$ 16,055	\$ 11,427	71.2%	6.1%
Other Services	\$ 25,847	\$ 23,180	89.7%	-14.6%
Public Administration	\$ 44,462	\$ 19,730	44.4%	5.9%

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

Employment Projections

West Central Workforce Development Area Industry Projections, 2012-2022 Barron, Chippewa, Clark, Dunn, Eau Claire, Pepin, Pierce, Polk, and St. Croix Counties

Industry	2012	Projected	Change (2012-2022)	
	Employment	2022 Employment	Employment	Percent
All Industries	179,507	197,498	17,991	10%
Natural Resources	2,217	2,082	-135	-6%
Construction	6,251	7,672	1,421	23%
Manufacturing	31,604	31,062	-542	-2%
Trade, Transportation, and Utilities	36,849	39,788	2,939	8%
Information	1,730	1,697	-33	-2%
Financial Activities	7,060	7,668	608	9%
Professional and Business Services	15,691	19,602	3,911	25%
Education and Health Services	33,232	39,322	6,090	18%
Leisure and Hospitality	18,240	20,248	2,008	11%
Other Services	4,779	5,301	522	11%
Public Administration	12,122	12,750	628	5%
Self-Employed and Unpaid Family Workers	9,732	10,306	574	6%

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

sponsible for this sector paying lower wages than the statewide average. Education has a higher concentration of K-12 teachers, lacking the higher-paid college personnel that raises the state average. And healthcare has a similar issue—rural areas have fewer high-paid specialists and Pepin also has a higher concentration of low-paying nursing home-type jobs. The impact of these large sectors on the local average wage likely accounts for much of the disparity between Pepin County’s average wage and the state’s.

While studying past trends is useful, DWD also produces projections of industry and occupation employment into the future. The data presented on this page and the next is produced every two years, following Bureau of Labor Statistics methodology. 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 in this profile are for the nine-county West Central Wisconsin Workforce Development Area. This region includes more than just the area directly impacted by the Pepin County regional economy. Employment in Pepin County accounts for about one 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 10% over the ten-year period, or almost 18,000 workers. This projection only forecasts levels of filled positions rather than potential demand. This further illustrates the issues associated with the aging population—while growth in the labor force is slowing, and in some counties even declining, job growth is expected to continue. So while businesses are already having difficulty filling the job openings vacated by retirees, increasing difficulty will be felt filling new openings as well. This could even constrain job growth, if openings businesses already have can’t be filled, businesses may not find enough employees to fill newly created positions, even if enough demand in the market exists to expand.

Solutions to this issue will be different for each business, but will likely include a combination of possibilities like talent pipeline development (examples include the Wisconsin Fast Forward training grants, and business alliances aimed at marketing specific careers), increased focus on talent attraction and retention, engaging under-utilized workforces (like those with barriers to workforce entry), increased automation, and retaining retirees in non-conventional work arrangements to name a few.

Employment Projections

West Central Workforce Development Area Occupation Projections, 2012-2022

Barron, Chippewa, Clark, Dunn, Eau Claire, Pepin, Pierce, Polk, and St. Croix Counties

Occupation Group	Employment				Average Annual Openings			Median Annual Wage
	2012	2022	Change (2012-2022)		Due to Growth	Due to Replacement	Total Openings	
All Occupations	179,507	197,498	17,991	10%	1,923	4,243	6,166	\$ 31,988
Management	7,640	8,451	811	11%	82	153	235	\$ 80,633
Business and Financial	5,611	6,233	622	11%	63	115	178	\$ 52,258
Computer and Mathematical	2,143	2,488	345	16%	34	36	70	\$ 58,701
Architecture and Engineering	3,150	3,307	157	5%	20	75	95	\$ 61,622
Life, Physical, and Social Science	863	953	90	10%	9	27	36	\$ 47,598
Community and Social Service	1,815	2,012	197	11%	20	42	62	\$ 44,525
Legal	752	913	161	21%	16	12	28	\$ 51,849
Education, Training, and Library	4,751	5,149	398	8%	40	106	146	\$ 45,573
Arts, Entertainment and Media	1,854	2,029	175	9%	20	46	66	\$ 32,900
Healthcare Practitioners	11,497	13,855	2,358	21%	236	232	468	\$ 56,984
Healthcare Support	5,919	6,771	852	14%	85	112	197	\$ 28,445
Protective Service	2,972	3,234	262	9%	26	93	119	\$ 36,477
Food Preparation and Serving	16,711	18,441	1,730	10%	173	620	793	\$ 18,343
Building & Grounds Maintenance	5,150	5,935	785	15%	78	105	183	\$ 25,637
Personal Care and Service	10,146	12,334	2,188	22%	221	161	382	\$ 21,692
Sales and Related	19,083	20,368	1,285	7%	130	593	723	\$ 22,657
Office and Administrative Support	25,723	27,883	2,160	8%	244	599	843	\$ 30,509
Farming, Fishing, and Forestry	1,557	1,470	-87	-6%	1	38	39	\$ 25,373
Construction and Extraction	6,398	7,544	1,146	18%	115	106	221	\$ 43,024
Installation, Maintenance, Repair	7,805	8,427	622	8%	66	180	246	\$ 39,729
Production	24,010	24,280	270	1%	91	486	577	\$ 31,688
Transportation & Material Moving	13,957	15,421	1,464	10%	151	304	455	\$ 29,346

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

The most significant numerical growth is expected in Education and Health Services (6,090, 18% growth rate), and Professional and Business Services (3,911, 25% growth rate). Another fast-growing super-sector of anticipated growth is the Construction sector (23%).

While industry projections have their uses, a more functional approach is projected occupational growth. 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 significant 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. The other trend that is also illustrated is that of labor constraints as openings created due to replacement needs outnumber those generated by new growth by a factor of two-to-one in the region. This suggests that there will be increased importance placed on the availability and skill sets of young workers entering the region's workforce. It's vitally important to realize that slow growth or declines in employment don't-necessarily reflect on the health of those industries. Employment declines may be due to factors such as increased automation and productivity. There will be many openings simply due to retirements.

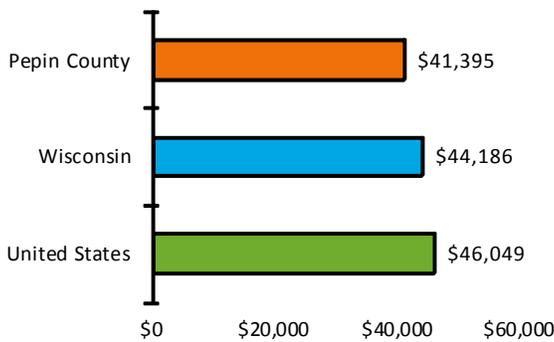
Personal Income

	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%
Pepin County	\$27,580	\$33,521	\$41,395	50.1%	23.5%

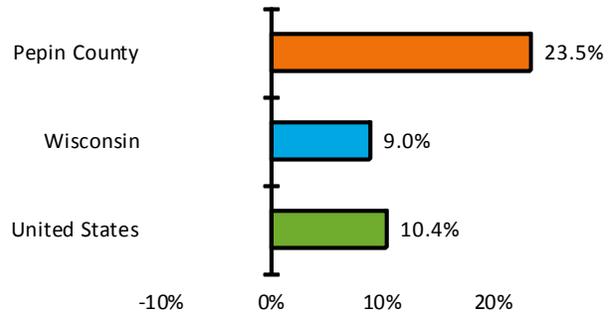
Source: Bureau of Economic Analysis

Pepin County’s inflation adjusted (real) per capita personal income grew by 23.5% from 2004 to 2014, much faster than both the statewide and national averages. Per capita personal income (PCPI) is derived by dividing total personal income by total population, making comparisons amongst areas with different populations much more useful. The recession affected incomes throughout the nation, and Wisconsin felt the effects as well. Slow growth and even losses in real income persisted throughout the 2007-2009 recession, and for some time after, though we are seeing growth in most counties again.

2014 Per Capita Personal Income



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



Source: Bureau of Economic Analysis

In 2014, the PCPI of \$41,395 in Pepin County was about 94% of Wisconsin’s PCPI, falling against the statewide average in recent years. Pepin’s PCPI ranked 29th among Wisconsin’s 72 counties. It’s difficult to explain Pepin’s high PCPI, much higher than many years historically. Wages haven’t risen so significantly to make this kind of change, and Pepin’s proportion of total personal income made up by net earnings is comparatively low, while its proportion made up by transfer payments from the government are still fairly high. Normally this would correlate to a lower PCPI. Given the small population of this county, it’s possible that a change with a relatively small number of individuals, whether small number of very high earners (possibly moving in to retire) or a dropping population could be having an outsized effect here.

Regardless, Pepin’s PCPI is significantly higher compared to the average for non-metropolitan counties around the state, at 104%.

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