

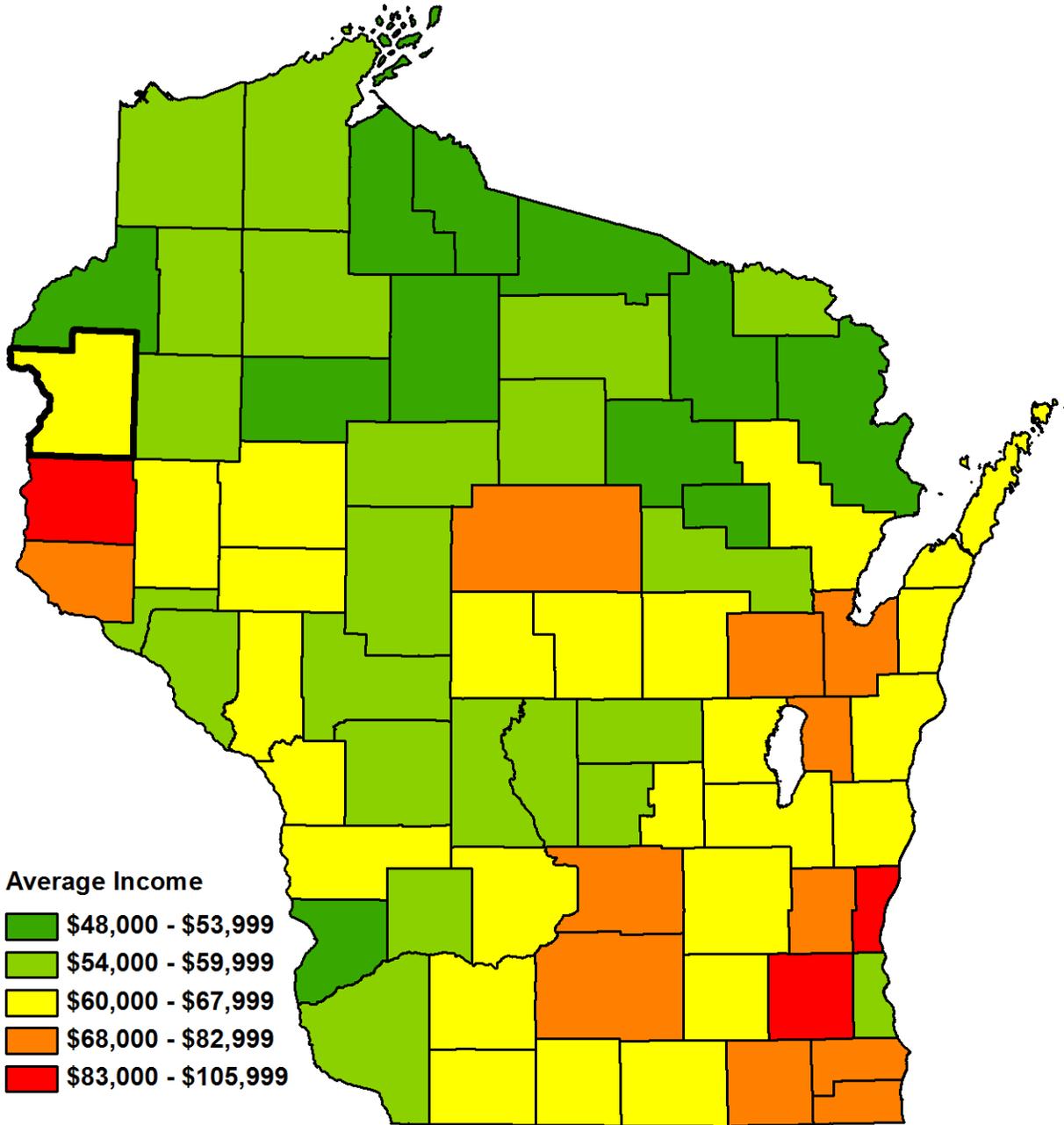


Polk County

WORKFORCE & ECONOMIC 2015 PROFILE



Average Household Income By County



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

2015 Polk 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.

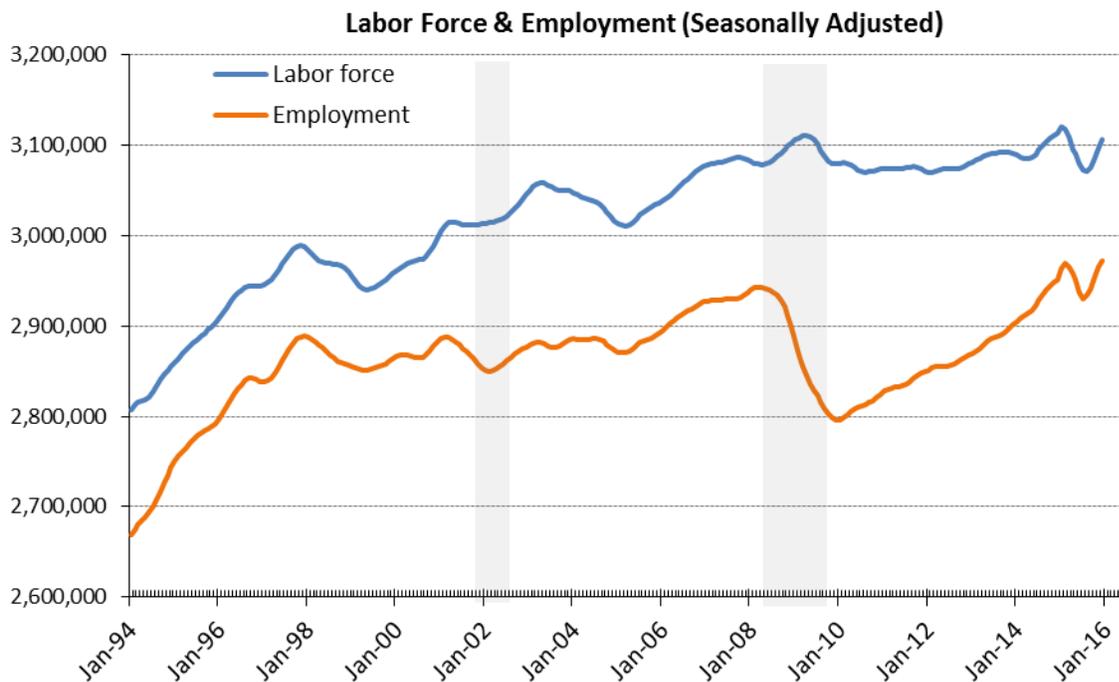
So what is it, six years after the recession ended, that is holding the national economy back from even stronger growth? A variety of factors are having an impact, such as: flat real wages, lack of business investment, focus of business investment, slower global economic growth, a stronger U.S. currency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

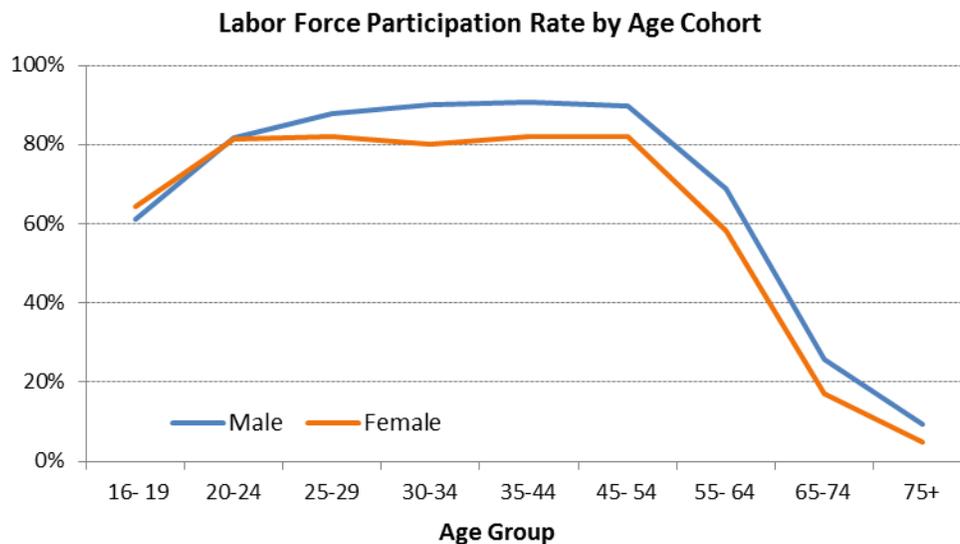
Businesses will be competing not only with each other for workers with similar skills, but also with entities of other disciplines. For example, one company may try to recruit a math teacher to become a computer programmer. Then the school will have to find another math teacher from, say, an insurance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

Polk 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%
Polk County	44,205	44,259	54	0.1%
Amery, City	2,902	2,917	15	0.5%
Osceola, Town	2,855	2,866	11	0.4%
Alden, Town	2,786	2,792	6	0.2%
Osceola, Village	2,568	2,593	25	1.0%
Lincoln, Town	2,208	2,202	-6	-0.3%
St. Croix Falls, City	2,133	2,096	-37	-1.7%
Farmington, Town	1,836	1,843	7	0.4%
Garfield, Town	1,692	1,695	3	0.2%
Eureka, Town	1,649	1,663	14	0.8%
Balsam Lake, Town	1,411	1,404	-7	-0.5%

Source: Demographic Services Center, Wisconsin Department of Administration

Polk County added 54 residents from April 2010 to January 2015, growing at a rate of 0.1%, much slower than the statewide growth rate of 1.2%. This ranks Polk the 51st fastest growing among the state's 72 counties.

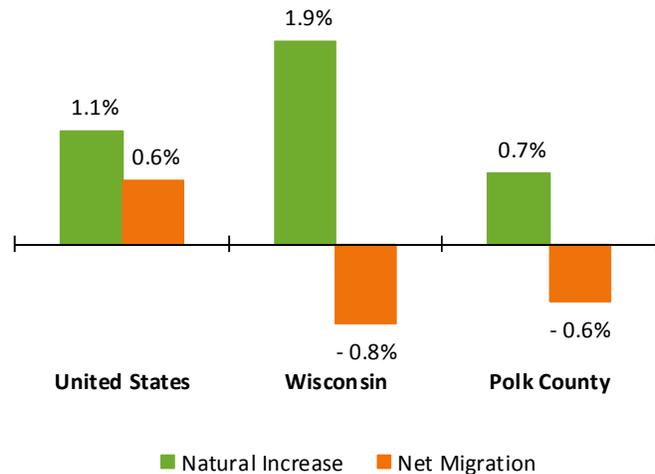
Net migration, or people moving into the county minus those leaving, was negative for the period studied, as it was in about half of Wisconsin counties over the last five years. Population change due to net migration was -0.6% from 2010 to 2015, similar to the drop in the statewide figure of 0.8%.

Growth due to natural increase (as seen on the graph below) was 0.7% in Polk County, lower than the statewide percentage gain. A low rate of natural increase tends to indicate an older population, with fewer younger residents starting or growing families. While during past growth periods Polk did have a younger demographic moving in (although to a much lesser extent than say, St. Croix), we're also seeing the effects of an older demographic moving in. Retirees moving in to recreation-rich northern counties is a common trend in Wisconsin; this is helping to drive Polk's median age upward. At 43.7, its median age is 29th oldest in the state.

Of the two sources of population growth, natural increase tends to be more stable. Birth and death patterns normally don't change quickly over time, while net migration can prove more volatile. Previous county profiles tended to show the majority of growth due to net migration. That trend has since reversed, highlighting how quickly migration trends can change.

Though Amery is the largest city in Polk County, the county doesn't really have a dominant urban center. Instead,

Components of Population Change



Source: Demographic Services Center, Wisconsin Department of Administration



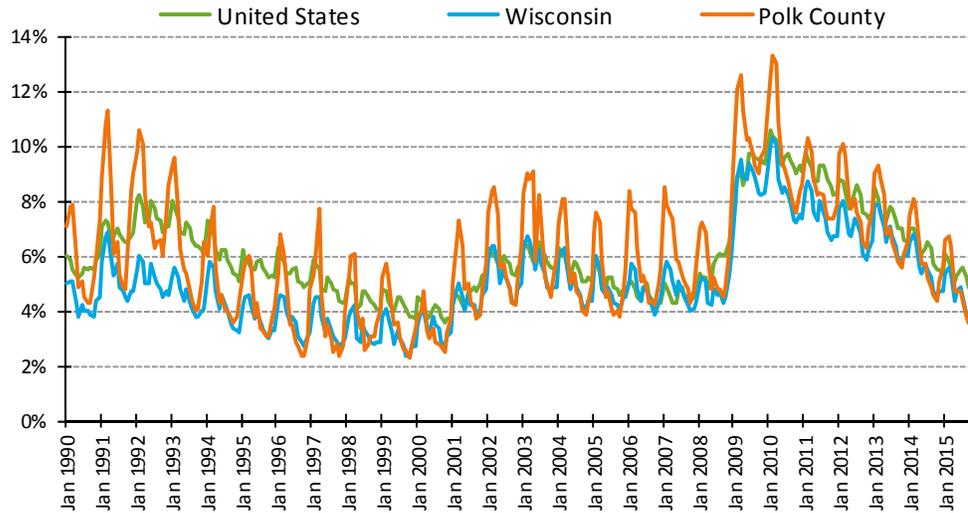
Labor Force Dynamics

population centers are spread throughout the county with the largest municipalities having between 1,500 and 3,000 residents. This rural nature, coupled with an abundance of lakes, is what draws some migrant Minnesotans across the border, in addition to aforementioned retirees.

The effects of nearby Minnesota are easy to spot. The vast majority of people moving in choose to settle in the southern half of the county. Not coincidentally, this part of the county is the closest to the Twin Cities. Easy access to the bridges spanning the St. Croix River, the county's border with Minnesota, also influences where new residents settle. This is evidenced by growth in the Town (and Village) of Osceola, which has the county's southernmost bridge. The township grew by 0.4%, while the Village of Osceola had the fastest growth in the county at 1.0%.

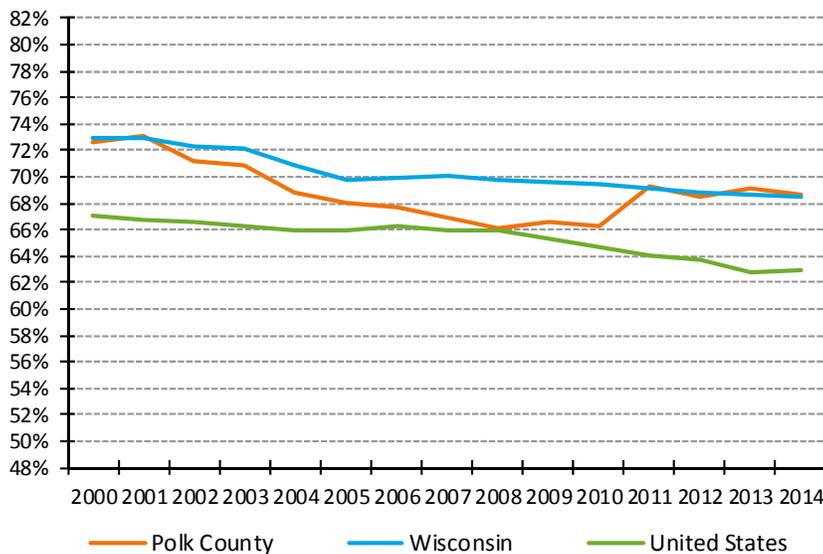
The graph to the upper right displays Polk County's monthly unemployment rate over the last 25 years, comparing it to the state and nation. Polk's rate of 3.6% is fairly low historically speaking, although not as low as during the booming economy of the late 1990s as seen above. While an improved economy is partially responsible for today's low unemployment rates,

Unemployment Rates - Not Seasonally Adjusted



Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

Labor Force Participation Rates



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

the trend of slow labor force growth due to baby boomers leaving the labor force also impacts the rates.

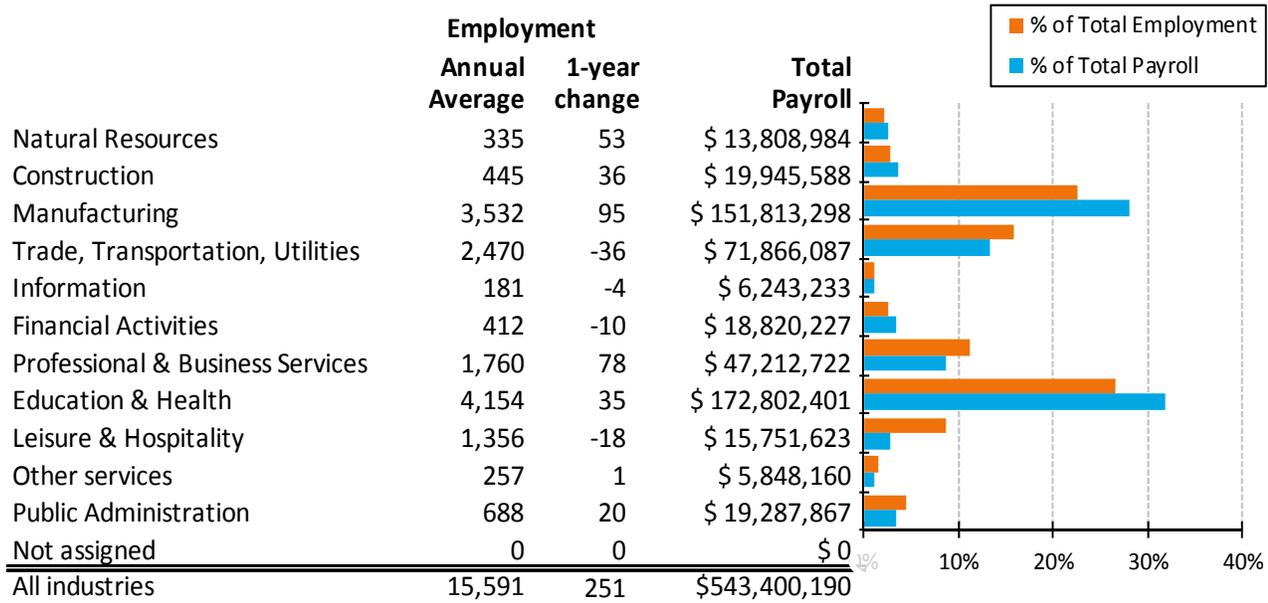
The graph to the left is the fourteen-year trend in labor force participation rate (LFPR). LFPR is defined as the labor force (sum of employed and unemployed) divided by total population age 16 and older. Polk County's annual average LFPR was 68.7% in 2014, higher than the national average (62.9%) and the statewide average (68.5%). Polk's LFPR was 23rd highest in the state.

LFPR over the last decade shows an overall downward trend, as the population skews older. Some of the baby boomer generation has already



Industry Employment and Wages

2014 Employment and Wage Distribution by Industry in Polk County



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

reached retirement age, and participation rates reflect this shift. While a location near the Twin Cities may blunt some of the impact that retiring baby boomers will have on the area’s labor force, businesses will need to attract those workers to Polk County or convince current commuters across the border to take a job in Polk closer to home. However, this is still a better situation than many Wisconsin counties face; it tends to be easier to get people already living in a county to work there, rather than luring residents of other counties or states to work there.

Polk County saw job growth of roughly 1.6% (251 jobs) from 2013 to 2014, ranking it 20th among the state’s 72 counties, by percent change. The longer term five-year growth from 2009 was even faster, at 7.5%, it ranked Polk 8th in terms of job growth percentages in the state. Wages grew by 6.7%, higher than the statewide average of 3.8%. Polk’s all industry wage was 79.5% of the statewide level, similar to the last profile in 2013. Polk’s all industry wage was \$34,853, up 5.0%; this

ranked it 16th in Wisconsin by percent change.

Average Annual Wage by Industry Division in 2014

	Wisconsin Average Annual Wage	Polk County Average Annual Wage	Percent of Wisconsin	1-year % change
All industries	\$ 43,856	\$ 34,853	79.5%	5.0%
Natural Resources	\$ 36,156	\$ 41,221	114.0%	11.8%
Construction	\$ 55,317	\$ 44,822	81.0%	-1.8%
Manufacturing	\$ 54,365	\$ 42,982	79.1%	4.4%
Trade, Transportation & Utilities	\$ 37,362	\$ 29,096	77.9%	1.7%
Information	\$ 62,482	\$ 34,493	55.2%	8.3%
Financial Activities	\$ 61,884	\$ 45,680	73.8%	2.3%
Professional & Business Services	\$ 52,386	\$ 26,825	51.2%	16.3%
Education & Health	\$ 44,829	\$ 41,599	92.8%	4.8%
Leisure & Hospitality	\$ 16,055	\$ 11,616	72.4%	0.6%
Other Services	\$ 25,847	\$ 22,755	88.0%	3.2%
Public Administration	\$ 44,462	\$ 28,035	63.1%	1.6%

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

Education and health, which recently overtook manufacturing to become the largest industry of employment in the county, gained 35 jobs from 2013 to 2014. The healthcare sector was responsible for most of the gains. Healthcare is an important sector, especially in a county with an aging population. Wages paid in this industry super-sector were relatively close to the statewide average, which is high

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.

for a rural county.

Manufacturing, the second largest industry in the county, added 95 jobs from 2013 to 2014. Polk county had lost manufacturing jobs every year since the Great Recession began in 2007 until 2012. Most of the growth was in fabricated metal product manufacturing, the largest manufacturing sub-sector in the county.

Only the natural resources sector, not a significant employer in the county, paid above the statewide average. Given all the suppression in this sector to protect employer confidentiality, it's difficult to say exactly what sub-sector is responsible for this wage differential. This sector's wages grew by 11.8% from 2013 to 2014.

While studying past trends is valuable, 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 Polk County regional economy. Employment in Polk County accounts for about 8% 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 and will likely combine varying ideas. One possible solution is talent pipeline development, examples of which include implementing Wisconsin Fast Forward training grants and forming business alliances focused on marketing specific careers. Other solutions include investing in talent attraction and retention, engaging

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

under-utilized workforces (like those with barriers to workforce entry), increasing automation, and retaining retirees in non-conventional work arrangements.

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 super-sector with strong anticipated growth is the Construction sector (23%).

While industry projections have their uses, projected occupational growth offers a different view of employment. An examination of projected occupational employment growth reveals possible explanations for the moderate growth rates anticipated in a number of the region's largest industry sectors. One first sees 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. Another trend 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!

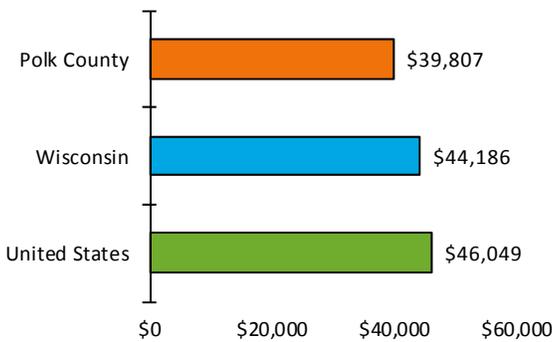
Personal Income

	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%
Polk County	\$28,289	\$34,383	\$39,807	40.7%	15.8%

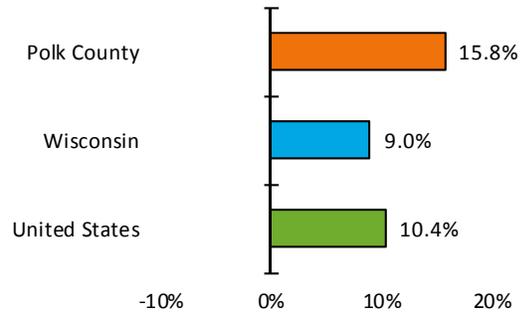
Source: Bureau of Economic Analysis

Polk County’s inflation adjusted (real) per capita personal income (PCPI) grew by 15.8% from 2004 to 2014, faster than both the statewide and national averages. PCPI is derived by dividing total personal income by total population; dividing by total population enables comparisons among areas with different populations. The Great Recession affected incomes throughout the nation, and Wisconsin felt the effects as well. Slow growth and even losses in real income persisted throughout 2007-2009 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 \$39,807 in Polk County was about 90% of Wisconsin’s PCPI, rising against the statewide average in recent years. Polk’s PCPI ranked 42nd among Wisconsin’s 72 counties.

The county’s residents are older on the whole than in the state and depend to a greater degree on un-earned income. As more retirees move into the county, this has the effect of lowering the percent of total income from net earnings. Second, many local jobs are seasonal, forcing workers to turn to other assistance in the off season (increasing transfer payments). Wages in general are about 20% lower than the statewide all-industry average.

Polk’s PCPI is actually average compared to the PCPI for the non-metropolitan counties in the state, a more reasonable comparison than to the statewide average, which is heavily influenced by higher wages paid in metro areas.

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