



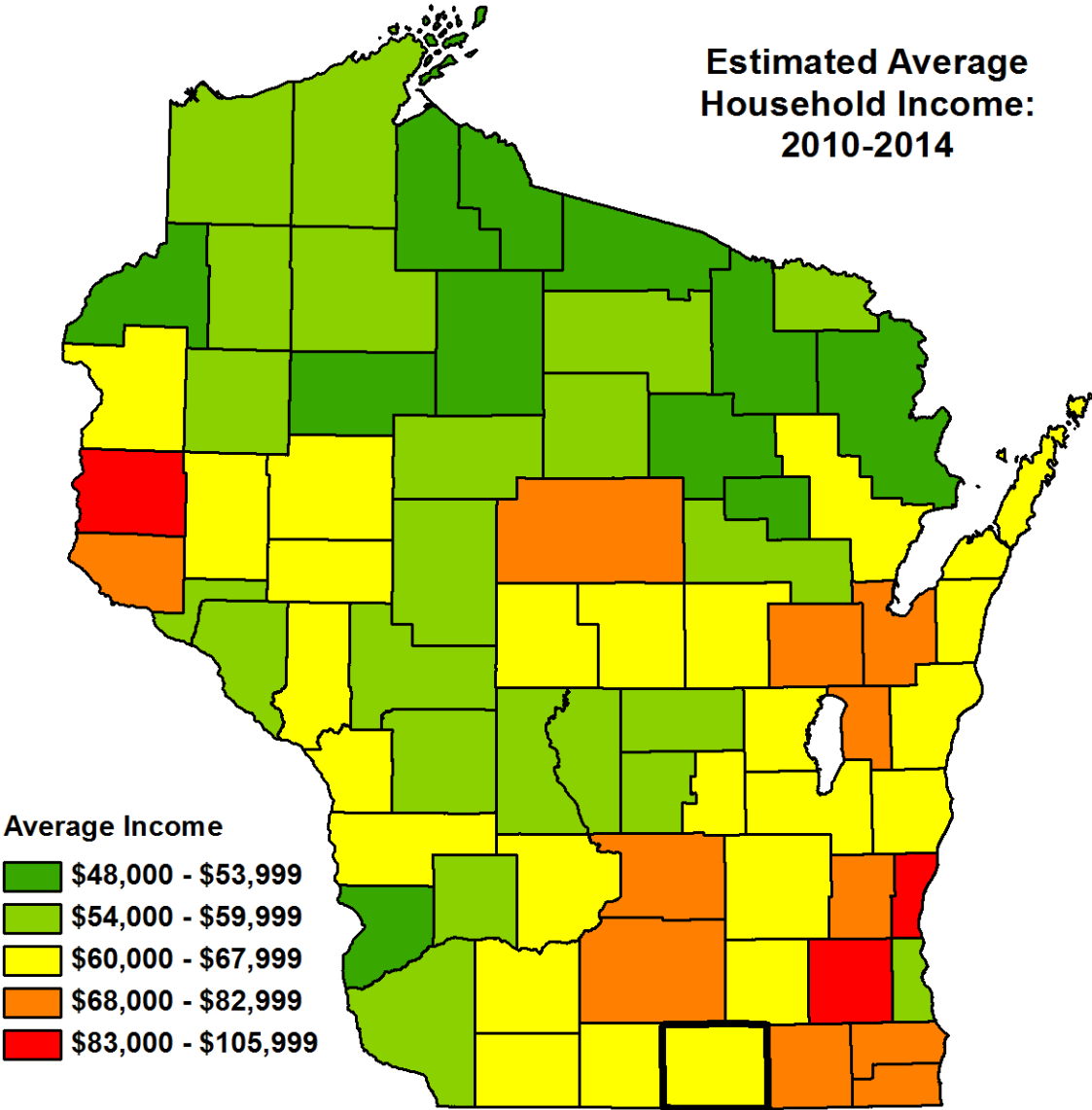
Rock County

WORKFORCE & ECONOMIC 2015 PROFILE



2015 Rock County Economic and Workforce Profile

Estimated Average Household Income:
2010-2014



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

2015 Rock 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.

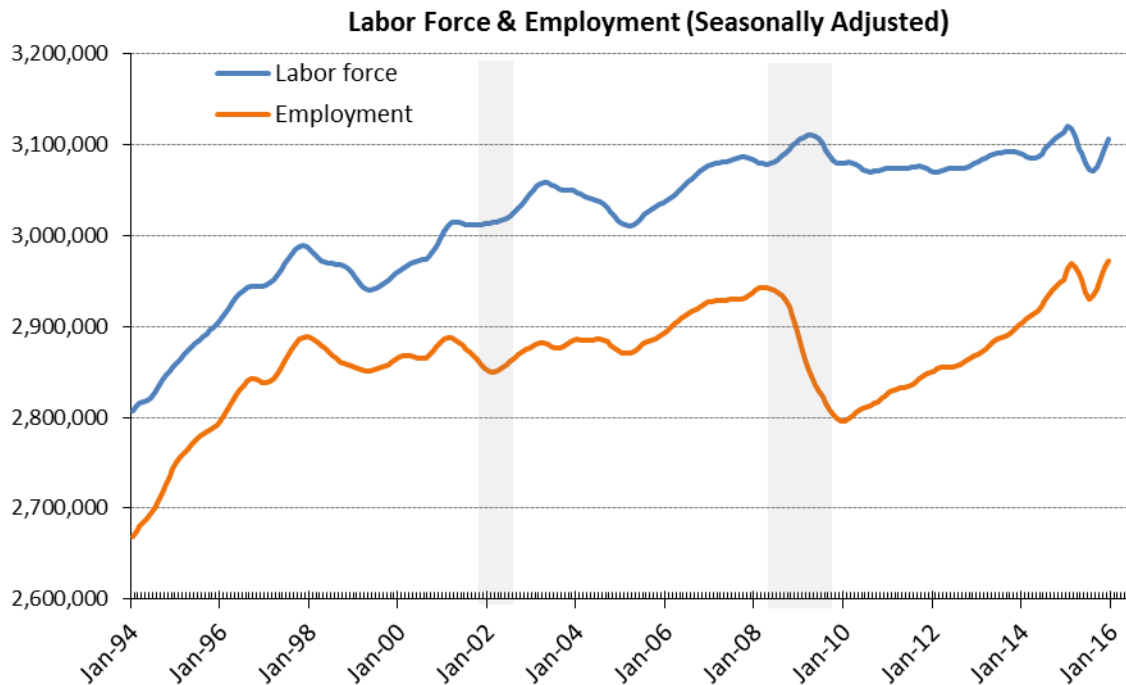
So what is it, six years after the recession ended, that is holding the national economy back from even stronger growth? A variety of factors are having an impact, such as: flat real wages, lack of business investment, focus of business investment, slower global economic growth, a stronger U.S. currency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

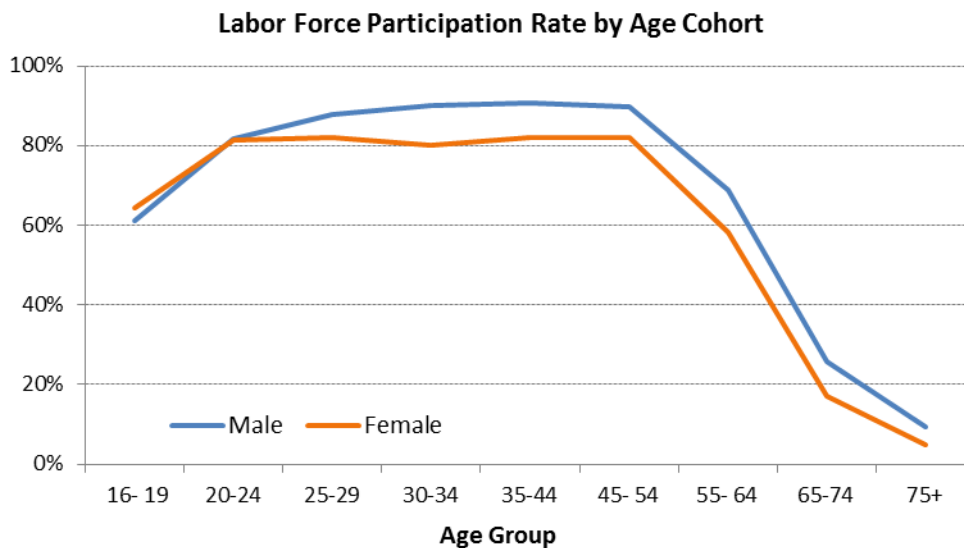
Businesses will be competing not only with each other for workers with similar skills, but also with entities of other disciplines. For example, one company may try to recruit a math teacher to become a computer programmer. Then the school will have to find another math teacher from, say, an insurance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

Rock County's 10 Most Populous Municipalities

| | April 2010 Census | January 2015 Estimate | Numeric Change | Proportional Change |
|----------------------|-------------------|-----------------------|----------------|---------------------|
| United States | 308,745,538 | 321,418,820 | 12,673,282 | 4.1% |
| Wisconsin | 5,686,986 | 5,753,324 | 66,338 | 1.2% |
| Rock County | 160,331 | 160,059 | -272 | -0.2% |
| Janesville, City | 63,575 | 63,510 | -65 | -0.1% |
| Beloit, City | 36,966 | 36,792 | -174 | -0.5% |
| Beloit, Town | 7,662 | 7,625 | -37 | -0.5% |
| Milton, City | 5,546 | 5,538 | -8 | -0.1% |
| Edgerton, City * | 5,364 | 5,401 | 37 | 0.7% |
| Evansville, City | 5,012 | 5,135 | 123 | 2.5% |
| Janesville, Town | 3,434 | 3,444 | 10 | 0.3% |
| Fulton, Town | 3,252 | 3,269 | 17 | 0.5% |
| Rock, Town | 3,196 | 3,183 | -13 | -0.4% |
| Milton, Town | 2,923 | 2,937 | 14 | 0.5% |

Source: Demographic Services Center, Wisconsin Department of Administration

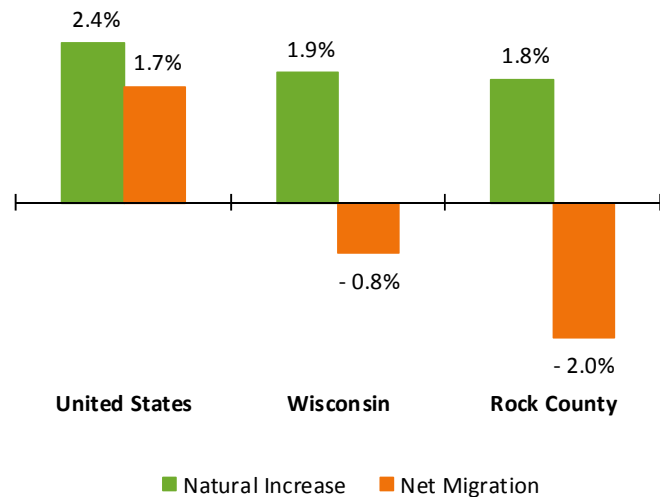
Rock County lost an estimated 272 residents from April 2010 to January 2015. Of Wisconsin's 72 counties, Rock County was estimated as being the ninth largest at the end of the period. The rate of decline, -0.2 percent, contrasts with the state growth of 1.2 percent and the nation's increase of 4.1 percent.

The table on the top of the page shows the population and population change of Rock County's ten most populous municipalities. Janesville, the Rock County seat, remained the most populous municipality. Although Janesville's population declined, it shrank at one-half the overall rate of the county. Rock County's population is concentrated in the cities of Janesville and Beloit, which account for 39.7 and 22.9 percent of the population, respectively. The City of Evansville experienced the fastest growth rate and gained 123 new faces over the five-year time period. Among the rest of the top municipalities, the population is much more evenly distributed. The ten largest municipalities account for 85 percent of the county's population.

Population changes are made up of two components: natural increase and net migration. Natural changes compare births and deaths. Migration looks at movement of people in and out of an area. Natural growth is generally stable over time while migration patterns can change quickly with economic factors. Rock County's population was positive in terms of natural increase. Rock's net population decline was entirely due to negative net migration.

The county's modest decline in the number of residents is occurring at the fastest rate in the City of and Town of Beloit as well as the Town of Rock.

Components of Population Change



Source: Demographic Services Center, Wisconsin Department of Administration



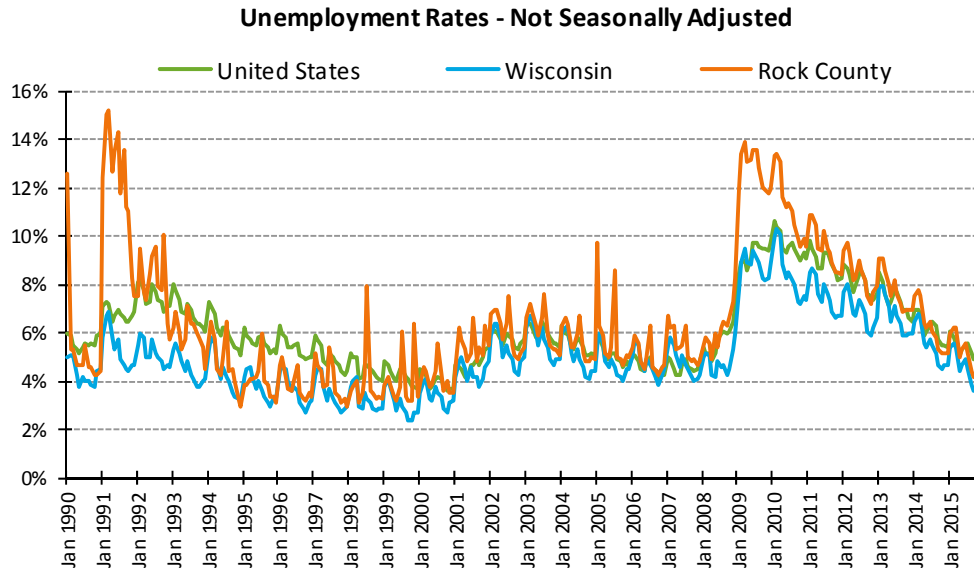
Labor Force Dynamics

The chart to the right plots the monthly rates of unemployment for Rock County, Wisconsin, and the U.S. over the last two and one-half decades.

At first look it appears that the unemployment dynamics of Rock County, Wisconsin follow more closely to Wisconsin and the U.S. from 1993 to 2008. However, what do the early 1990s and the 2008-2010 time period have in common? Both were times where the

overall economy was in recession. Both recessions were particularly tough on the manufacturing sector, a cornerstone of Rock's economy. As in the state and the nation, the unemployment rate in Rock County declined in the second half of the 1990s, reaching a historical low level towards the end of the decade.

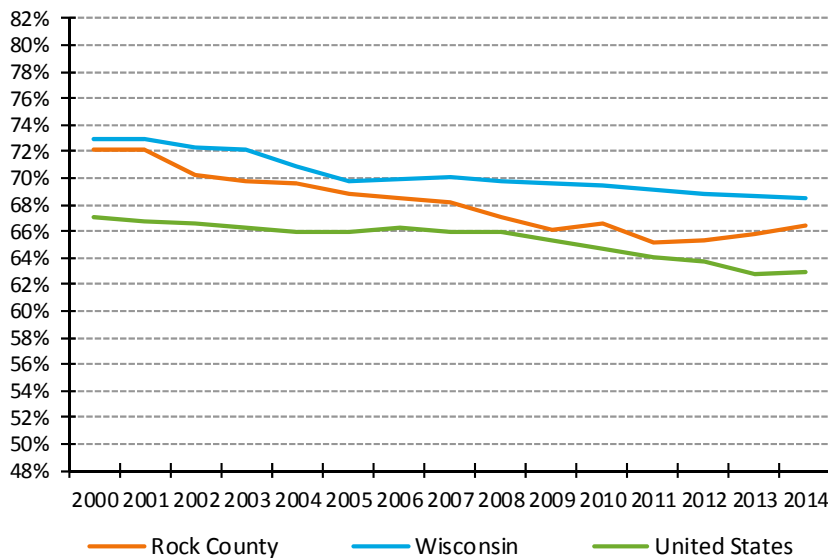
In another of the recessionary time periods covered in the graph above (early 2000s), Rock's unemployment rate climbed to levels that were, on average, lower than the rate of the nation and higher than the rate of the state. An important difference is that the recession of the early 2000s was both milder in effect and registered a milder recovery than the early 1990s recession. As the chart shows, the employment recovery between 2003



Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

and 2007 did not result in a significant decline in the unemployment rate. This is explained by an unprecedented low rate of job creation in the early phase of the last employment upturn. The closing of the then iconic GM plant in December of 2008 led Rock County into the so-called national "Great Recession."

Labor Force Participation Rates



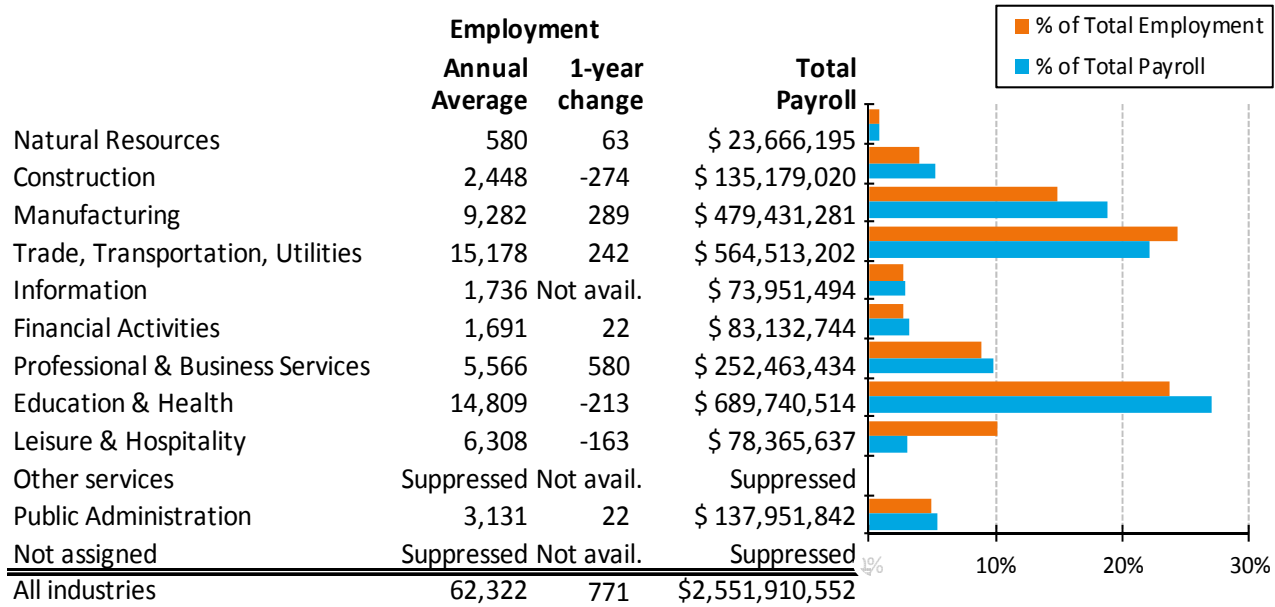
The labor force participation rate (LFPR) is the labor force (sum of employed and unemployed) divided by the population ages 16 and older. Rock County's annual average (chart at left) LFPR stood at 66.4 percent in 2014, above the national rate but somewhat below the statewide rate (68.5 percent).

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



Industry Employment and Wages

2014 Employment and Wage Distribution by Industry in Rock County



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

In terms of job count, as of 2014, the largest sectors in Rock County were education and health, with employment and payroll shares of 23.8 and 27.0 percent, respectively, and trade, transportation and utilities, with employment and payroll shares of 24.4 and 22.1 percent, respectively. Given the near equal employment shares of both sectors, the discrepancy between employment and payroll shares indicates that the average wage of the trade, transportation and utilities sector is lower than the average wage in education and health. Education and health posted an employment decline (-213), while Professional & Business Services was the sector to post the largest gain in jobs, adding 580 jobs in 2014.

The table below shows the average annual wages by sector in Rock County and Wisconsin, including the county's share of annual wages by industry relative to the state and the annual change in Rock County.

Average Annual Wage by Industry Division in 2014

| | Wisconsin Average Annual Wage | Rock County Average Annual Wage | Percent of Wisconsin | 1-year % change |
|-----------------------------------|-------------------------------|---------------------------------|----------------------|-----------------|
| All industries | \$ 43,856 | \$ 40,947 | 93.4% | -4.9% |
| Natural Resources | \$ 36,156 | \$ 40,804 | 112.9% | 4.5% |
| Construction | \$ 55,317 | \$ 55,220 | 99.8% | 2.9% |
| Manufacturing | \$ 54,365 | \$ 51,652 | 95.0% | 3.1% |
| Trade, Transportation & Utilities | \$ 37,362 | \$ 37,193 | 99.5% | 1.5% |
| Information | \$ 62,482 | \$ 42,599 | 68.2% | Not avail. |
| Financial Activities | \$ 61,884 | \$ 49,162 | 79.4% | 4.3% |
| Professional & Business Services | \$ 52,386 | \$ 45,358 | 86.6% | -41.1% |
| Education & Health | \$ 44,829 | \$ 46,576 | 103.9% | -3.3% |
| Leisure & Hospitality | \$ 16,055 | \$ 12,423 | 77.4% | 3.3% |
| Other Services | \$ 25,847 | Suppressed | Not avail. | Not avail. |
| Public Administration | \$ 44,462 | \$ 44,060 | 99.1% | 2.9% |

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

The annual average wage was \$40,947 in 2012, which represents 93.4 percent of the statewide average of \$43,856. Compared with the statewide averages, most of the sectors in Rock County reported lower annual average wages, except for Natural Resources and Education & Health. Of these two sectors, education and health also

Employment Projections

Southwest Workforce Development Area Industry Projections, 2012-2022

Grant, Green, Iowa, Lafayette, Richland and Rock Counties



| Industry | 2012 | Projected | Change (2012-2022) | |
|---|------------|--------------------|--------------------|---------|
| | Employment | 2022 Employment | Employment | Percent |
| All Industries | 114,604 | 123,107 | 8,503 | 7% |
| Natural Resources | 2,912 | 2,643 | -269 | -9% |
| Construction | 3,896 | 4,662 | 766 | 20% |
| Manufacturing | 17,514 | 17,836 | 322 | 2% |
| Trade, Transportation, and Utilities | 28,944 | 30,009 | 1,065 | 4% |
| Information | 2,326 | 2,341 | 15 | 1% |
| Financial Activities | 3,445 | 3,698 | 253 | 7% |
| Professional and Business Services | 7,317 | 8,975 | 1,658 | 23% |
| Education and Health Services | 21,376 | 24,499 | 3,123 | 15% |
| Leisure and Hospitality | 10,189 | 11,074 | 885 | 9% |
| Other Services | 2,769 | 3,001 | 232 | 8% |
| Public Administration | 7,698 | 8,101 | 403 | 5% |
| Self-Employed and Unpaid Family Workers | 6,218 | 6,268 | 50 | 1% |

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

posted both a loss in average wage and a loss in employment.

In addition to looking at the current state of the economy in Rock 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 Grant, Green, Iowa, Lafayette, Richland, and Rock. Together, these six counties form the Southwest Wisconsin Workforce Development Area.

These projections use information from the Quarterly Census of Employment and Wages (QCEW) program, including unpublished data from the Bureau of Labor Statistics (BLS) as well as data from the Current Population Survey (CPS) 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 59.2 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 leading sectors. Overall, there are 8,503 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 Trade, Transportation, & Utilities sector is projected to have the largest decline in share of jobs. From 2012 to 2022, the share of jobs in the Trade, Transportation, & Utilities sector is projected to decrease from 25.3 percent to 24.4 percent.

Readers should note that while net manufacturing employment is projected to increase by just over 300 jobs in the next ten years there will be many more opportunities for young workers in manufacturing because retirements in the sector are going to outpace declines due to economic shifts for the foreseeable future.

The share of jobs in the Education & Health Services sector is projected to have the largest gain in sector share of jobs. Education & Health is also projected to have the largest numeric gain in jobs with 3,123 addi-

Employment Projections

Southwest Workforce Development Area Occupation Projections, 2012-2022

Grant, Green, Iowa, Lafayette, Richland and Rock Counties

| Occupation Group | Employment | | | | Average Annual Openings | | | Median Annual Wage |
|------------------------------------|------------|---------|--------------------|------|-------------------------|---------------------|----------------|--------------------|
| | 2012 | 2022 | Change (2012-2022) | | Due to Growth | Due to Replace-ment | Total Openings | |
| All Occupations | 114,604 | 123,107 | 8,503 | 7% | 961 | 2,744 | 3,705 | \$ 32,859 |
| Management | 5,342 | 5,690 | 348 | 7% | 37 | 110 | 147 | \$ 79,619 |
| Business and Financial | 3,470 | 3,731 | 261 | 8% | 27 | 69 | 96 | \$ 55,102 |
| Computer and Mathematical | 1,383 | 1,483 | 100 | 7% | 11 | 22 | 33 | \$ 59,977 |
| Architecture and Engineering | 1,408 | 1,548 | 140 | 10% | 15 | 34 | 49 | \$ 66,452 |
| Life, Physical, and Social Science | 805 | 821 | 16 | 2% | 4 | 26 | 30 | \$ 54,320 |
| Community and Social Service | 1,162 | 1,252 | 90 | 8% | 9 | 28 | 37 | \$ 45,776 |
| Legal | 360 | 421 | 61 | 17% | 6 | 6 | 12 | \$ 65,157 |
| Education, Training, and Library | 4,331 | 4,564 | 233 | 5% | 25 | 97 | 122 | \$ 42,239 |
| Arts, Entertainment and Media | 1,159 | 1,149 | -10 | -1% | 4 | 28 | 32 | \$ 38,926 |
| Healthcare Practitioners | 6,812 | 8,116 | 1,304 | 19% | 131 | 141 | 272 | \$ 60,530 |
| Healthcare Support | 3,282 | 3,850 | 568 | 17% | 57 | 63 | 120 | \$ 27,980 |
| Protective Service | 1,895 | 2,014 | 119 | 6% | 12 | 58 | 70 | \$ 40,456 |
| Food Preparation and Serving | 9,350 | 10,128 | 778 | 8% | 78 | 343 | 421 | \$ 18,402 |
| Building & Grounds Maintenance | 3,398 | 3,790 | 392 | 12% | 41 | 70 | 111 | \$ 24,182 |
| Personal Care and Service | 4,766 | 5,468 | 702 | 15% | 72 | 84 | 156 | \$ 20,941 |
| Sales and Related | 12,486 | 12,880 | 394 | 3% | 52 | 388 | 440 | \$ 22,854 |
| Office and Administrative Support | 18,514 | 19,087 | 573 | 3% | 96 | 440 | 536 | \$ 30,216 |
| Farming, Fishing, and Forestry | 628 | 523 | -105 | -17% | 1 | 16 | 17 | \$ 29,008 |
| Construction and Extraction | 4,091 | 4,754 | 663 | 16% | 66 | 66 | 132 | \$ 42,332 |
| Installation, Maintenance, Repair | 4,945 | 5,273 | 328 | 7% | 37 | 116 | 153 | \$ 40,524 |
| Production | 13,219 | 14,025 | 806 | 6% | 103 | 275 | 378 | \$ 31,604 |
| Transportation & Material Moving | 11,798 | 12,540 | 742 | 6% | 77 | 264 | 341 | \$ 29,394 |

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

tional jobs by 2022. Most sectors are projected to gain net jobs by 2022 with just the Natural Resources sector expecting a slight contraction in total employment.

In 2012, the area's largest occupation group was Office & Administrative Support with 18,514 jobs, 16 percent of total employment. Of the twenty-two occupation groups, the top five together accounted for 54.1 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 52.9 percent of jobs.

The share of total jobs by occupational group is projected to change little through 2022. However, four of the top five groups, Office & Administrative Support; Transportation & Material Moving; Production; and Sales & Related, are projected to experience slight declines in employment share. The Healthcare Practitioners & Technical group is projected to have the largest gain in share, with a rise from 5.9 percent to 6.6 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 1,304 jobs by 2022, a 19 percent gain. The Construction & Extraction group is projected to experience the second largest proportional gain in jobs with a numeric gain of 663.

The Production occupational group is projected to experience the second largest numerical gain in jobs with a projected addition of 806 jobs. The Farming, Fishing, and Forestry occupation group is projected to experience a decrease of 105 jobs by 2022, a 17 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% |
| Rock County | \$29,111 | \$35,382 | \$38,713 | 33.0% | 9.4% |

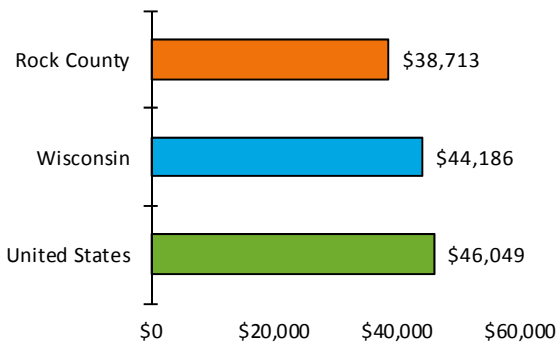
Source: Bureau of Economic Analysis

Total personal income (TPI) is the sum of three components, namely (i) employment earnings; (ii) property income (dividends, interest and rental income); and (iii) personal current transfers receipts (government payments like Social Security, Medicare, Medicaid and Unemployment Insurance).

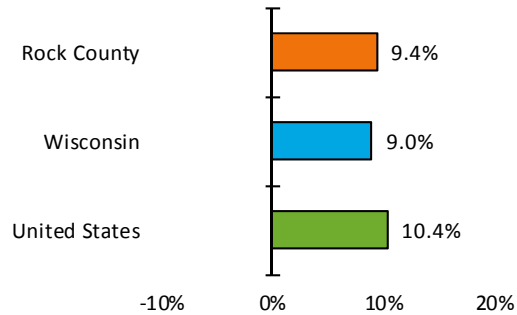
Per capita personal income (PCPI) is total personal income (TPI) divided by the total population. This average income figure is often used to gauge economic vitality. It is a useful indicator for comparing income dynamics among geographic areas since it provides comparison of income per resident.

Those PCPI figures displayed in the tables above differ from the annual average wage discussed on Page 5 in two

2014 Per Capita Personal Income



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



Source: Bureau of Economic Analysis

ways. First, PCPI refers to place of residence while annual wages refers to place of work. This means PCPI includes wages earned by Rock County residents, but not wages of those who travel from another county to work for employers located in Rock County. Second, PCPI includes multiple sources of income, not just wages.

This average income figure (PCPI) is often used as a measure of economic development and standard of living. In 2014, Rock County's PCPI was almost \$38,713, a lower figure than both the state and the nation. Rock County's PCPI ranks 55th in Wisconsin and is among the lowest PCPI of all urban counties. Also, Rock's PCPI is relatively low for an urban county that includes a Metropolitan Statistical Area (Janesville-Beloit), whose incomes and prices are expected to be higher than in rural or urban, non-metropolitan areas.

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