

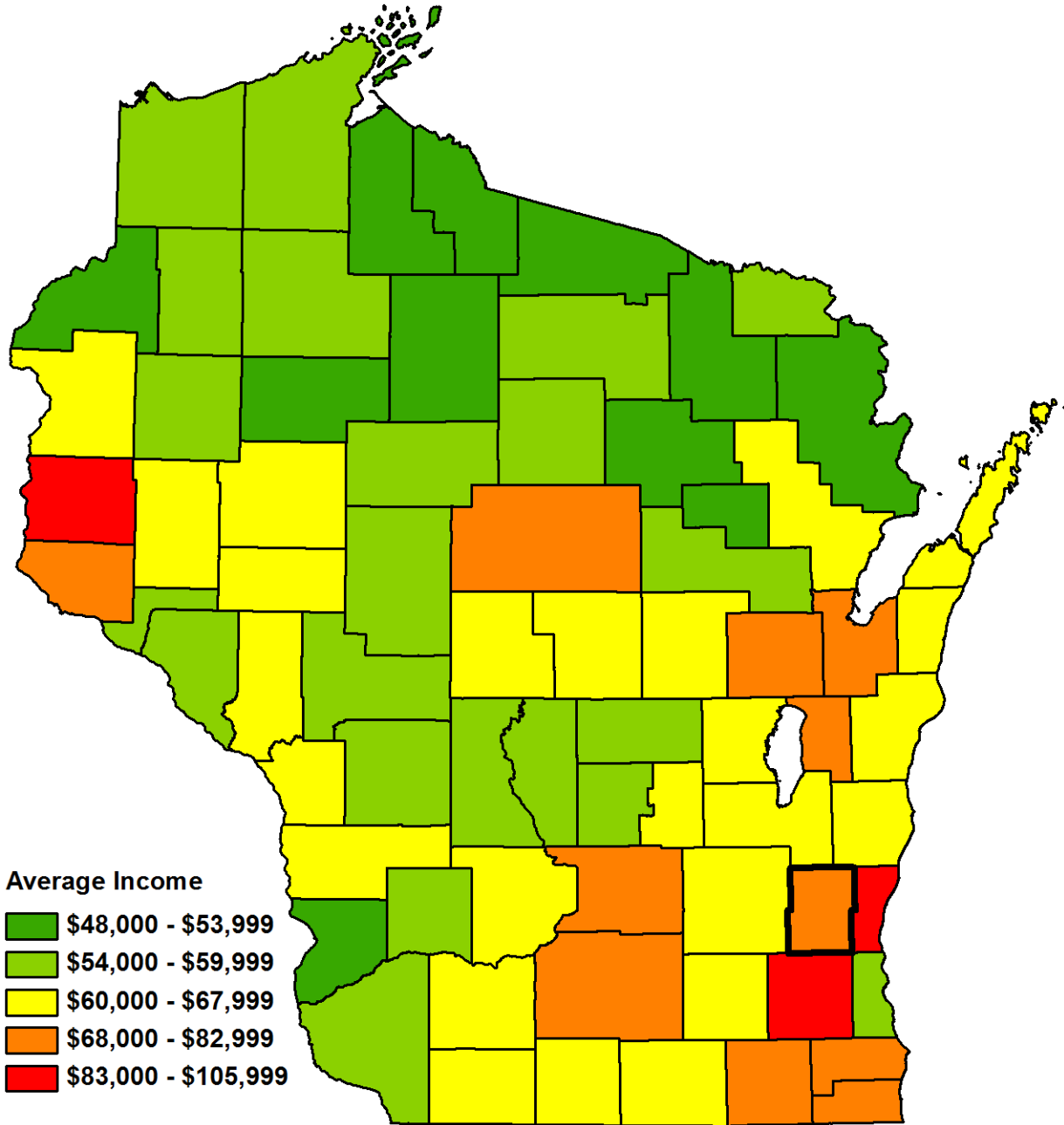


Washington County

WORKFORCE & ECONOMIC 2015 PROFILE



Average Household Income By County



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

2015 Washington 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.

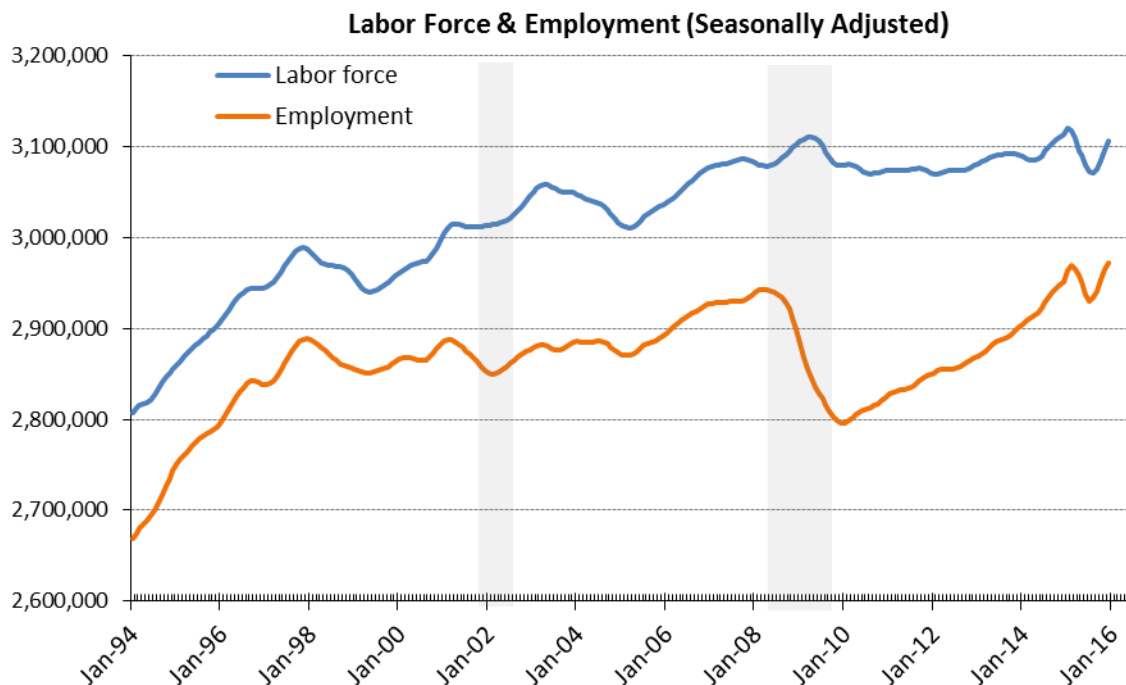
So what is it, six years after the recession ended, that is holding the national economy back from even stronger growth? A variety of factors are having an impact, such as: flat real wages, lack of business investment, focus of business investment, slower global economic growth, a stronger U.S. currency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

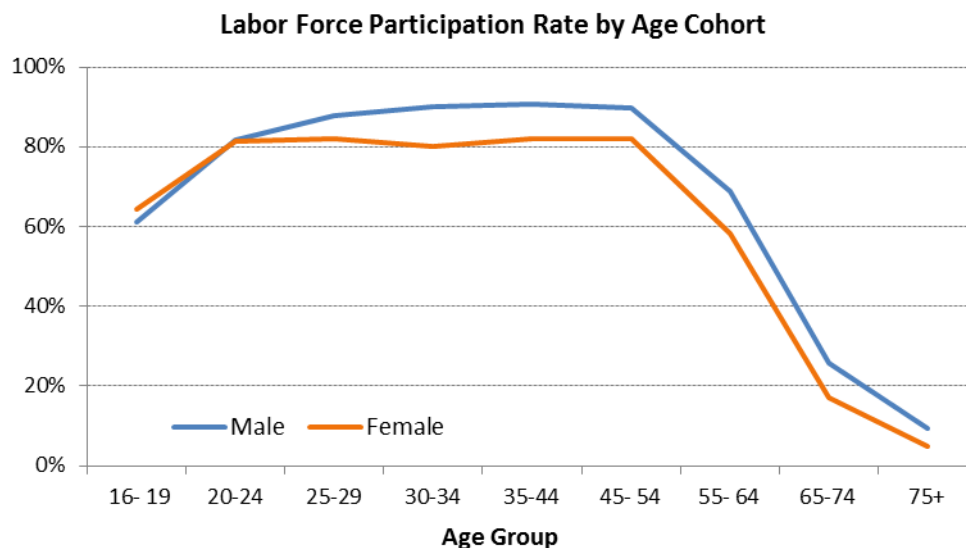
Businesses will be competing not only with each other for workers with similar skills, but also with entities of other disciplines. For example, one company may try to recruit a math teacher to become a computer programmer. Then the school will have to find another math teacher from, say, an insurance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

Washington 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%
Washington County	131,887	133,486	1,599	1.2%
West Bend, City	31,078	31,599	521	1.7%
Germantown, Village	19,749	19,972	223	1.1%
Hartford, City *	14,223	14,403	180	1.3%
Richfield, Village	11,300	11,458	158	1.4%
Jackson, Village	6,753	6,851	98	1.5%
Slinger, Village	5,068	5,235	167	3.3%
West Bend, Town	4,774	4,777	3	0.1%
Trenton, Town	4,732	4,743	11	0.2%
Jackson, Town	4,134	4,340	206	5.0%
Farmington, Town	4,014	4,034	20	0.5%

Source: Demographic Services Center, Wisconsin Department of Administration

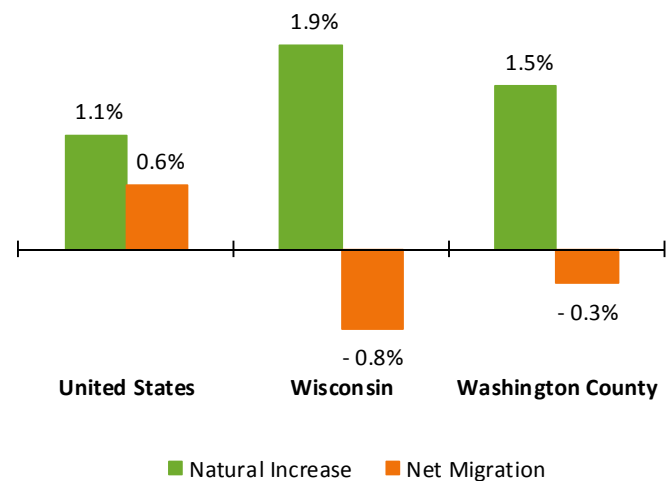
The chart above lists Washington County's ten largest municipalities and compares population growth since 2010 at the municipal, county, state, and national level. Population growth in Wisconsin and Washington County was slow as compared to the United States. County growth of 1,599 residents or 1.2 percent was distributed differently among municipalities. The Towns of Jackson and Slinger grew at above average rates and added residents. The City of West Bend and Village of Germantown grew at slower rates but due to their larger size, added the most new residents. The four cities together grew by 1,117 or 70 percent of net population growth in the county during the period.

Due to the Great Recession and its aftermath, net migration remains negative in most Wisconsin counties. Washington County experienced a net migration of negative 0.03 percent.

Natural increases in population are closely correlated with age demographics. Strong natural increases generally occur in younger populations, which have higher fertility and birth rates and lower death rates. At 42.8 years, the 2014 median age of Washington County residents was older than the state median of 39.2 and the county's rate of natural increase of 1.5 percent was correspondingly lower.

The graph to the right tracks the unemployment rate in Washington County since 1990 and compares it to state and national rates during the same

Components of Population Change

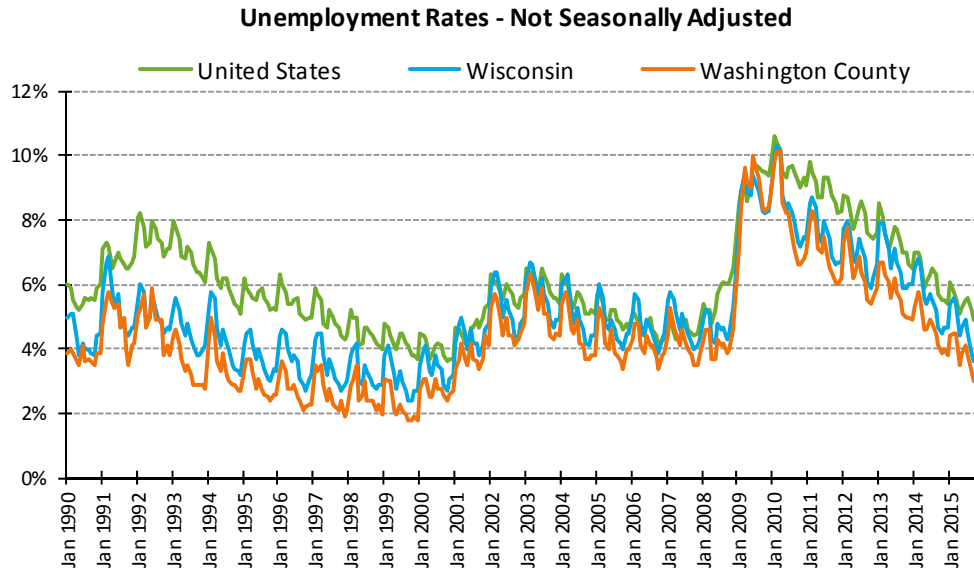


Source: Demographic Services Center, Wisconsin Department of Administration



Labor Force Dynamics

time period. Since this unemployment data has not been seasonally adjusted, or smoothed, the graph also shows seasonal employment variations within each year. The seasonality of the county's labor market is moderate and typical, with normal peaks of unemployment early in the year and again in summer as students enter the job market in search of work, and normal

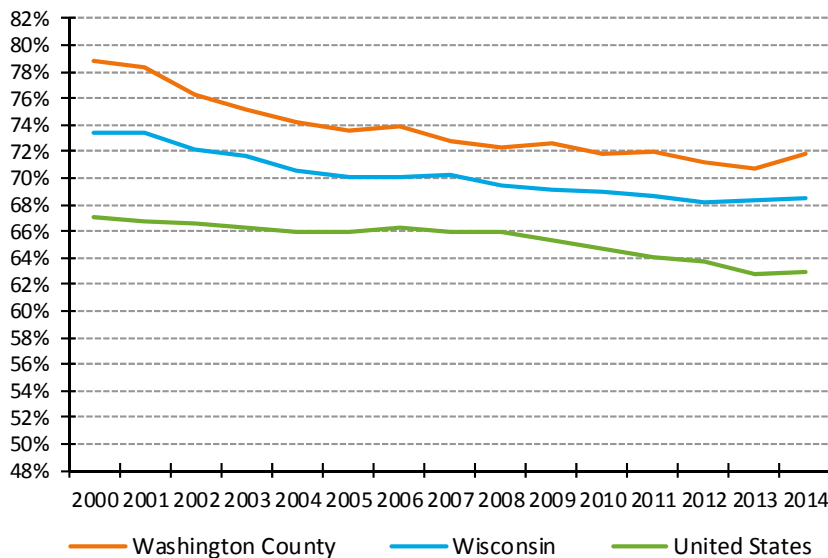


Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

troughs late in the year. The Great Recession caused national, state, and county unemployment rates to rise sharply after 2008 and peak in early 2010. Since then, rates have steadily fallen as the economy has recovered. Washington County's average annual unemployment rate in 2015 was 3.8 percent, substantially lower than the national rate of 5.3 percent and state rate of 4.6 percent.

The unemployment rate is closely related to the labor force participation rate (LFPR), which reflects not only an area's economic conditions, but also its age demographics. It is the portion of the population aged 16 years

Labor Force Participation Rates



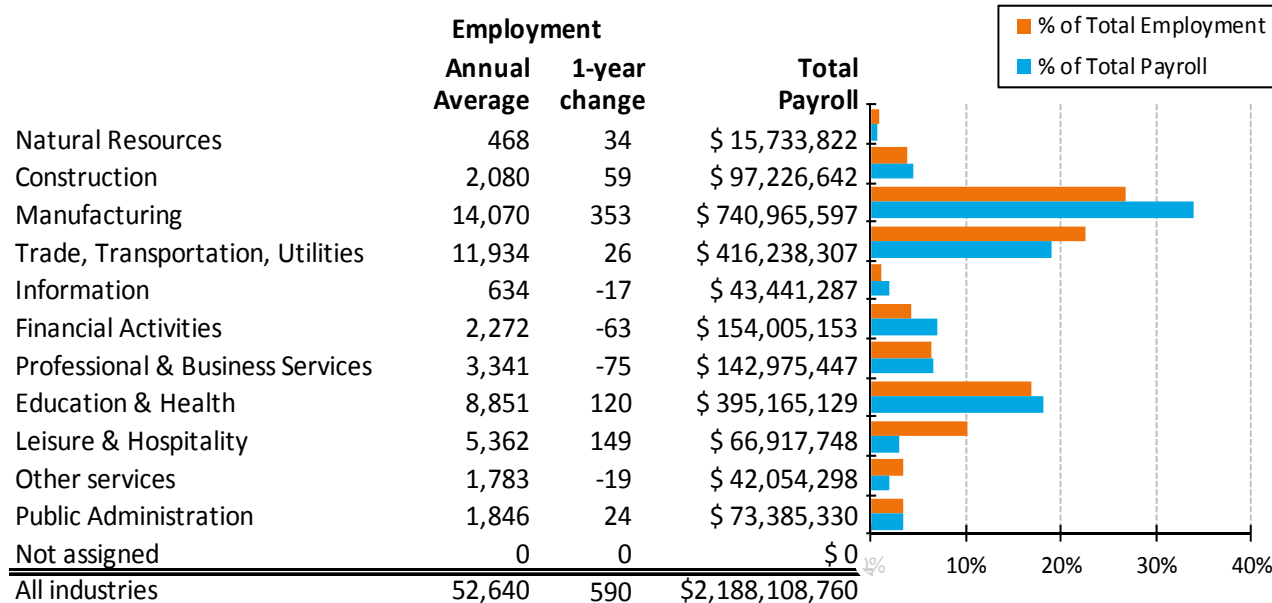
Source: Current Population Survey, U.S. Department of Commerce, Census Bureau

and older who are employed or actively seeking employment. Aging of the population combined with high unemployment during and after the Great Recession have caused national, state, and county LFPRs to trend downward in recent years. But recent tightening in the job market has attracted more participants, causing the participation rate to level off in the United States and Wisconsin and increase in Washington County. The County's LFPR increased 1.1 percent between 2013 and 2014 to 71.9 percent, higher than state and national participation rates of 68.5 percent



Industry Employment and Wages

2014 Employment and Wage Distribution by Industry in Washington County



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

and 62.9 percent, respectively.

The employment and wage distribution graph above shows the one-year change in employment and the economic impact of industry sectors in Washington County from both an employment and payroll perspective. The county's job base grew by 590 jobs or 1.1 percent during 2014, which was less than the average statewide job growth of 1.3 percent during the same period. Job growth was distributed differently between sectors. Manufacturing is the largest sector in terms of not only employment and wages, but also job growth. Manufacturing employment in Washington County increased by 353 jobs or 2.6 percent, more than double statewide growth of 1.1 percent in the sector. Manufacturing accounts for 23 percent of the county's jobs and 34 percent of total

county payroll. This disparity reflects the comparatively higher wages paid to manufacturing workers than to workers in other industries such as trade, transportation, and utilities, the county's second largest employment sector.

The table to the left shows annual average wage by industry in Washington County, compares those wages to the statewide average, and dis-

Average Annual Wage by Industry Division in 2014

	Wisconsin Average Annual Wage	Washington County Average Annual Wage	Percent of Wisconsin	1-year % change
All industries	\$ 43,856	\$ 41,567	94.8%	3.6%
Natural Resources	\$ 36,156	\$ 33,619	93.0%	10.2%
Construction	\$ 55,317	\$ 46,744	84.5%	6.2%
Manufacturing	\$ 54,365	\$ 52,663	96.9%	2.7%
Trade, Transportation & Utilities	\$ 37,362	\$ 34,878	93.4%	2.9%
Information	\$ 62,482	\$ 68,519	109.7%	32.9%
Financial Activities	\$ 61,884	\$ 67,784	109.5%	4.8%
Professional & Business Services	\$ 52,386	\$ 42,794	81.7%	1.4%
Education & Health	\$ 44,829	\$ 44,646	99.6%	4.1%
Leisure & Hospitality	\$ 16,055	\$ 12,480	77.7%	1.4%
Other Services	\$ 25,847	\$ 23,586	91.3%	5.2%
Public Administration	\$ 44,462	\$ 39,754	89.4%	1.8%

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

Employment Projections

W-O-W Workforce Development Area Industry Projections, 2012-2022

Ozaukee, Waukesha and Washington Counties

Industry	2012	Projected	Change (2012-2022)	
	Employment	Employment	Employment	Percent
All Industries	339,259	373,723	34,464	10%
Natural Resources	2,972	2,764	-208	-7%
Construction	14,509	17,599	3,090	21%
Manufacturing	66,004	64,866	-1,138	-2%
Trade, Transportation, and Utilities	66,034	71,717	5,683	9%
Information	5,669	6,159	490	9%
Financial Activities	18,500	20,645	2,145	12%
Professional and Business Services	40,676	50,229	9,553	23%
Education and Health Services	54,211	62,779	8,568	16%
Leisure and Hospitality	28,290	31,885	3,595	13%
Other Services	10,649	11,770	1,121	11%
Public Administration	10,659	11,053	394	4%
Self-Employed and Unpaid Family Workers	21,086	22,257	1,171	6%

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

plays the county's one-year change in each of the sectors. Washington's average annual wage is 5.2 percent lower than the state average and increased 2.6 percent in 2014, slightly higher than statewide annual wage growth of 2.5 percent. The information sector's average annual wage of \$68,519 was not only the county's highest, but also increased by 33 percent in one year. However, the small size of this sector did not significantly impact the overall county wages.

The table above presents ten-year regional employment projections by industry sector for the W-O-W Workforce Development Area, which is comprised of Waukesha, Ozaukee, and Washington counties. The change in the number of jobs from 2012 to 2022 represents new jobs expected to be created during the period.

In 2014, Waukesha had the largest share of the region's employment, with 71 percent of the region's jobs. Ozaukee and Washington counties had 13 and 16 percent, respectively. Ten-year regional employment is projected to exceed statewide job growth of 7.1 percent. Jobs in the three-county area are expected to increase 10 percent between 2012 and 2022, with average annual growth of 1.0 percent or 3,446 jobs per year. Employment in the area exceeded projections, growing by 3,598 new jobs or 1.1 percent during 2014.

The education and health services sector and professional and business services sector are projected to add the most jobs between 2012 and 2022. Within the larger education and health services sector, health services employment is expected to grow faster than educational services. The professional and business services sector provides professional, technical, and administrative services to businesses. A significant portion of recent and projected growth in this sector are in the employment services subsector, which often provide business with temporary workers. These workers may work in a variety of industries such as health care or manufacturing, but as long as they are employed by an employment services establishment, their jobs are counted in the professional and business services sector, even if they are a nurse working in a hospital or a welder working in a manufacturing plant.

Employment Projections

W-O-W Workforce Development Area Occupation Projections, 2012-2022
Ozaukee, Waukesha and Washington 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	339,259	373,723	34,464	10%	3,674	7,860	11,534	\$ 36,763
Management	18,085	20,086	2,001	11%	201	365	566	\$ 96,174
Business and Financial	15,818	17,991	2,173	14%	219	324	543	\$ 59,711
Computer and Mathematical	10,290	12,035	1,745	17%	174	169	343	\$ 71,500
Architecture and Engineering	8,990	9,348	358	4%	55	222	277	\$ 67,603
Life, Physical, and Social Science	*	*	*	*	*	*	*	\$ 53,076
Community and Social Service	2,836	3,145	309	11%	31	66	97	\$ 42,831
Legal	1,812	2,180	368	20%	37	29	66	\$ 49,815
Education, Training, and Library	14,349	15,389	1,040	7%	107	313	420	\$ 44,161
Arts, Entertainment and Media	4,376	4,846	470	11%	49	106	155	\$ 40,461
Healthcare Practitioners	15,662	19,044	3,382	22%	338	318	656	\$ 60,648
Healthcare Support	7,617	8,864	1,247	16%	125	144	269	\$ 27,772
Protective Service	3,830	4,168	338	9%	35	132	167	\$ 38,471
Food Preparation and Serving	25,612	28,319	2,707	11%	271	970	1,241	\$ 18,810
Building & Grounds Maintenance	12,197	14,467	2,270	19%	227	258	485	\$ 23,944
Personal Care and Service	15,273	17,488	2,215	15%	228	292	520	\$ 22,120
Sales and Related	38,119	41,425	3,306	9%	346	1,050	1,396	\$ 31,538
Office and Administrative Support	50,141	54,635	4,494	9%	505	1,158	1,663	\$ 33,633
Farming, Fishing, and Forestry	*	*	*	*	*	*	*	*
Construction and Extraction	14,919	17,663	2,744	18%	275	247	522	\$ 52,703
Installation, Maintenance, Repair	10,956	12,011	1,055	10%	109	249	358	\$ 46,404
Production	41,994	42,407	413	1%	144	813	957	\$ 36,097
Transportation & Material Moving	23,477	25,210	1,733	7%	178	548	726	\$ 29,077

* Due to confidentiality, data is suppressed and so detail may not add to totals.

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

To get a better idea of the types of jobs included in employment projections, we can also look at expected job growth by occupation. The table above displays projected total job openings through 2022, which includes openings resulting from creation of new jobs (Change column) and also replacement openings in previously created jobs that are anticipated to occur as incumbent workers leave those positions, necessitating the hiring of new workers to replace them (Replacement Openings column). Large numbers of Baby Boomers are expected to retire within the next few years, which is why projected replacement openings exceed the number of openings expected to occur as a result of job growth. This phenomenon is occurring not only in the W-O-W region, but throughout the state economy as well. The largest number of job openings are projected in office and administrative support, sales and related, and food preparation and serving. Large numbers of replacement openings are projected in those occupations that are not expected to grow significantly, such as production. This is especially common in occupations with older workforces and large numbers of anticipated retirements during the projection period, as well as low-wage occupations such as food service and preparation which tend to have younger workforces but higher rates of employee turnover.

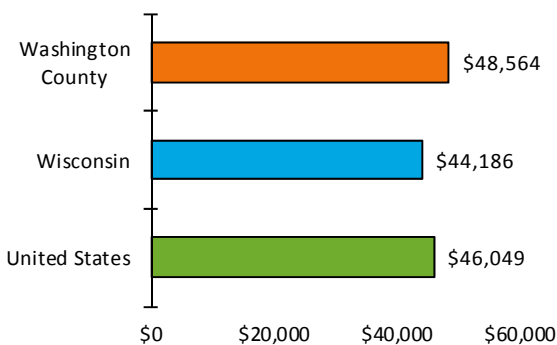
Personal Income

	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%
Washington County	\$37,590	\$45,688	\$48,564	29.2%	6.3%

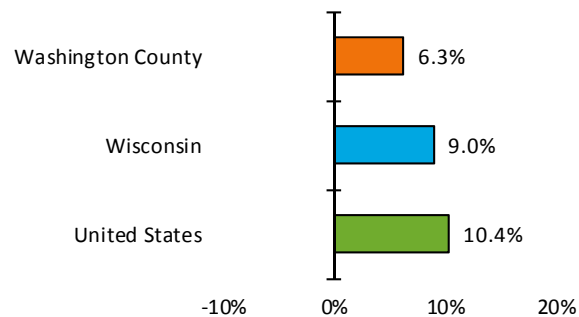
Source: Bureau of Economic Analysis

The chart above displays the ten-year personal income trend in Washington County, Wisconsin and the United States. Dollar amounts have been adjusted for inflation to allow comparison between 2004 and 2014. Personal income consists of earned income from employment plus income from assets (dividends, interest, and rent receipts) plus transfer receipts. Transfer receipts are government payments not made in exchange for goods or services. Examples include, but are not limited to, social security checks, Unemployment Insurance, veterans' benefits, Medicare, Medicaid, and public assistance.

2014 Per Capita Personal Income



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



Source: Bureau of Economic Analysis

Per capita personal income (PCPI) is calculated by dividing total personal income in a geographic area by that area's total population. The population number used to calculate PCPI is the entire population, not just those of working age, and includes children, retirees and others who are not typically wage earners. Similar to adjusting for inflation, which allows us to compare between time periods, adjusting personal income to a per capita basis allows us compare areas which have different population sizes.

Ten-year nominal and inflation adjusted increase in personal income was lower than state and national income growth, but Washington County's PCPI of \$48,564 in 2014 was higher than national and state PCPI. In a ranking of county PCPI size, Washington ranked fifth highest of Wisconsin's 72 counties, behind Ozaukee, Waukesha, Dane and Door counties.

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