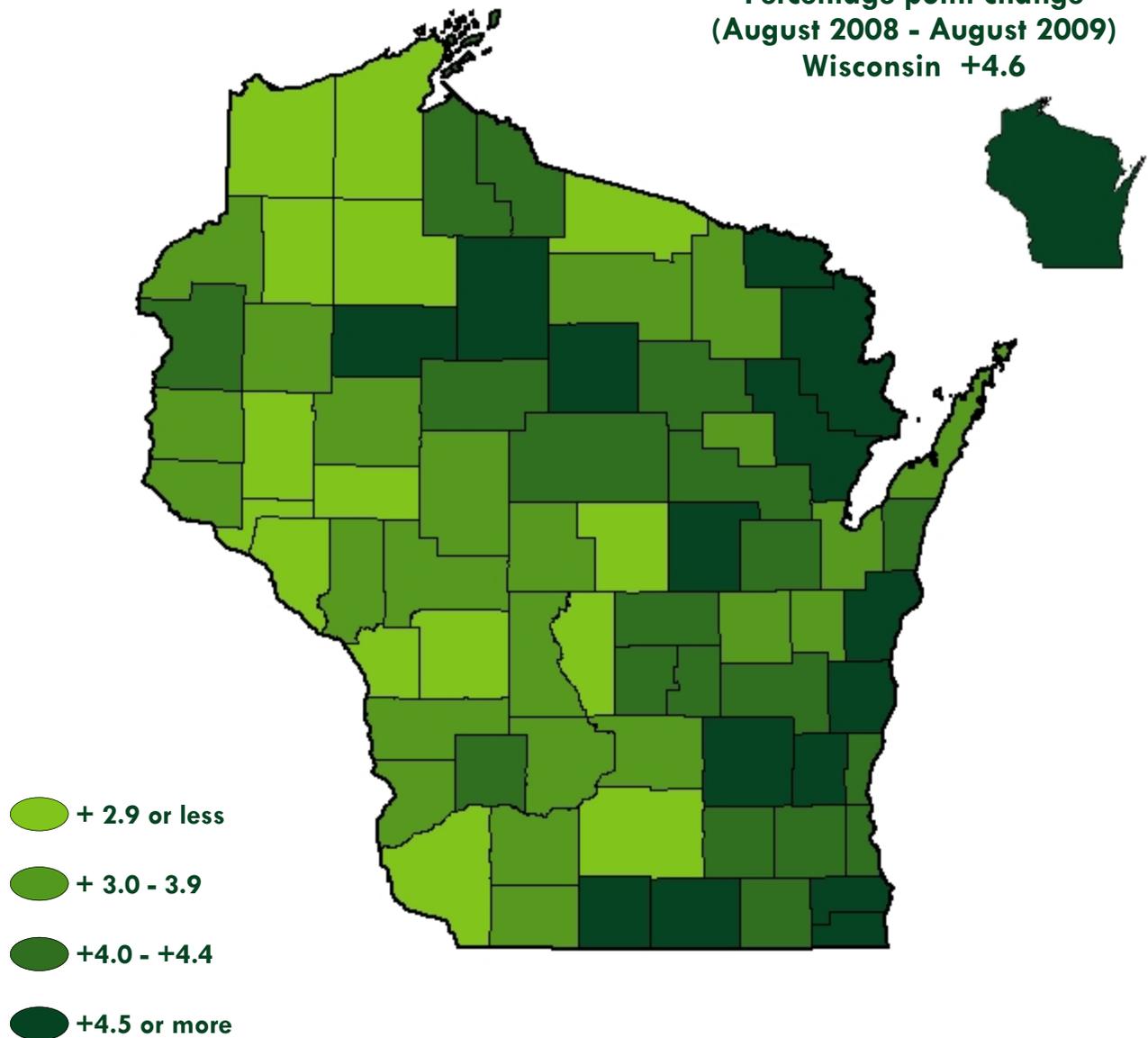


Wisconsin Workforce Profile 2009

Unemployment Rate Increases

Percentage point change
(August 2008 - August 2009)

Wisconsin +4.6



Note: This year's County Workforce Profile has a slightly different layout. The first two pages give a brief synopsis of the recession, the worst by most measures since the Great Depression. We would be remiss if this publication didn't recognize and report on it. More information about the stages of the recession can be found on our website: <http://dwd.wisconsin.gov/oea/>. In the subsequent pages of the Profile, readers will find the figures and analysis they depend on. If you have any questions or comments, please don't hesitate to contact us.

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OEA-10654-P



Wisconsin Department of Workforce Development

State of Wisconsin Workforce Profile



Note: All data appearing in this profile are subject to revision.

The Big Picture

As this piece of the profile is written in mid-September 2009, the economic recovery appears to be underway. It is expected that the trough of the recession will be registered in the third quarter of 2009 when it is finally decided by the National Bureau of Economic Research (NBER) in about a year from now. It is the NBER that pegged the beginning of the recession at December 2007. This recession will be documented as the longest recession since the Great Depression of the early 1930s. This 2007 recession has lasted more than twenty months, twice the length of the average post-war recession.

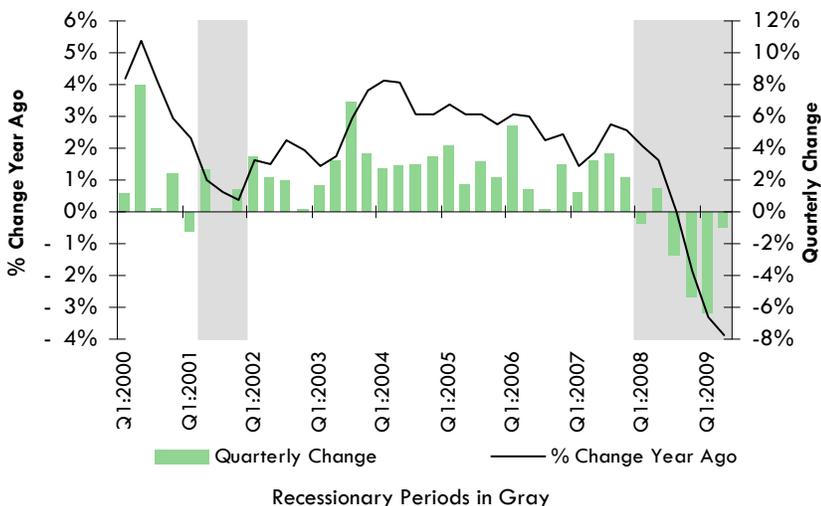
How bad was this downturn? Bad. Real GDP growth was negative for four quarters in a row. That has never happened before in quarterly data dating back to 1947. Only two quarters in the last fifty-three years suffered as

large a GDP loss as did the back-to-back quarters of Q4 2008 and Q1 2009, one was Q1 of 1958 and the other was Q2 in 1980. This is the first time that the economies of the U.S. and Japan were in recession at the same time. In fact, it was the first time since WWII that aggregate global economic growth turned negative.

Why was this recession so bad? There were two downturns, one on top of the other. The first one started in December 2007 and was an economic recession, based on falling demand for housing construction. The second began in earnest in September 2008 and was a financial crisis, based on weak underlying supports (housing) of new unregulated financial tools and products. The first downturn led to the second. They are now interdependent. Volumes will be written on this great recession of 2007. A brief synopsis follows here.

Low interest rates and incentives led to a wave of debt-based asset accumulation — buying stuff on credit: homes, businesses, cars, vacations. A home buying spree ensued as did commercial debt-financed acquisitions. Housing developers responded with enthusiasm. Lenders, with the help of the federal government, did their part to make home ownership more accessible. Early on, housing supply could not keep up with demand and housing prices increased. In parallel, global economic gains swelled stock market values. Debt was cheap and highly utilized across all sectors of the economy around the world. The financial industry created new tools to extend and diversify the new debt loads, many based on home mortgage debt.

Real GDP Growth 2000 Q1 - 2009 Q2



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, July 2009

The Big Picture Cont.

These new tools — derivatives — were unregulated, off-exchange transactions between individual parties.

When housing became over supplied and prices began to adjust (fall), mortgage defaults increased, and it was discovered that the newly created financial products were under-collateralized. More important perhaps, the issuers of debt insurance were hugely under capitalized (short of money to pay out claims). When the homeowner couldn't pay and the insurer couldn't pay, the lenders faced gigantic losses — a financial crisis. The crisis quickly spread as financial markets are highly integrated worldwide.

At present, global financial and political institutions continue to work on repairing the financial wreck. With cash and credit being the grease that lubricates the global economic engine, the rapidity and robustness with which the economy recovers is dependent on the speed and strength of the financial markets fix.

The severity of this recession affected employment in a commensurate manner. Wisconsin's unemployment rate increased from a seasonally adjusted 4.5 percent in December of 2007, when the recession began, to 8.8 as of August 2009, almost doubling over the period. Wisconsin

The Current Employment Landscape

Wisconsin lost 137,000 jobs during this downturn, almost 5 percent of its job base since the recession began in December 2007, on a seasonally adjusted basis. All sectors suffered job losses with the exception of health care.

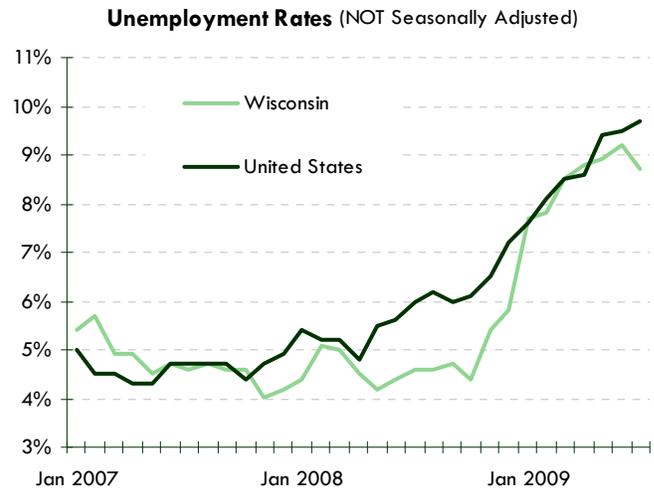
The manufacturing sector lost 13 percent of its jobs statewide during this recession, some 66,000 on a seasonally adjusted basis. All of the upper Midwest major manufacturing states took a beating in this business cycle. Especially hard hit were Michigan, Indiana, and Ohio, due to the collapse of the auto industry. With large manufacturing job losses in Indiana, Wisconsin became the leader in the share of its workers employed in manufacturing.

Construction, which was the first industry to be affected with the housing turn that began in Wisconsin in 2006, lost 16 percent of its jobs since December 2007, and almost 20 percent since its peak in February of 2006. Professional and Business Services also lost more jobs on a percentage basis than the state average, 8.9 percent. Other sectors lost jobs as well, but were not impacted quite as severely as those above. Leisure and Hospitality, for example, lost 1.4 percent of its jobs.

Employment recovery always lags economic recovery. Following recessions since WWII, the economic upswings led job gains by nine to nineteen months. After the 2001

last reached an unemployment rate peak of 11.8 percent in January of 1983, after the harsh recession of 1981-82.

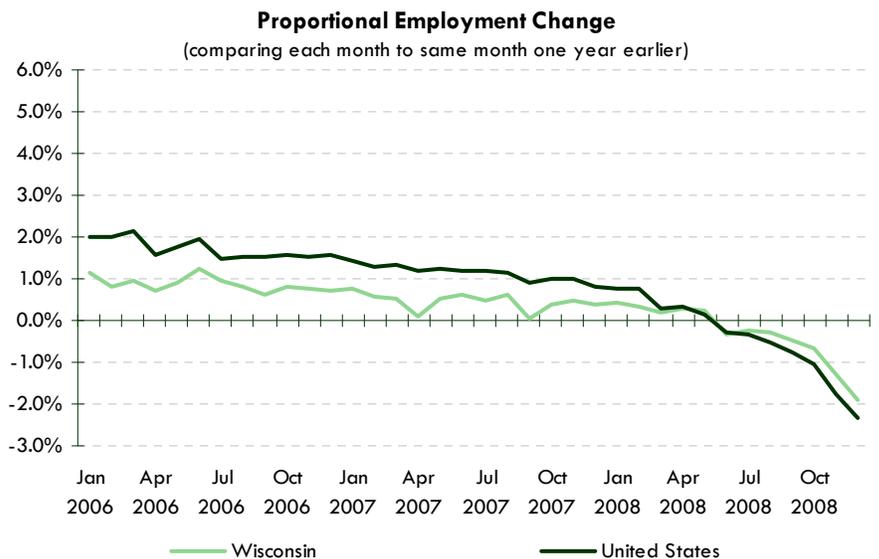
The graph below shows a comparison of county, state, and national unemployment rates through the recession.



Source: U.S. Bureau of Labor Statistics, CPS, LAUS, 2009

recession, it took Wisconsin twenty-six months before job numbers began to increase again on a sustained basis. It was fifty months before the state's job levels recovered to pre-2001 recession levels. Job recovery following the current recession is expected to be slow as well. Consumers are not expected to be the driving sector in the economic recovery, as the huge destruction in home and financial equity wealth will force an increased proclivity for savings instead of consumption.

The chart below is a comparison of employment change.



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2009

Population

Wisconsin added 4.9 percent to its population from 2000 to 2008, almost 270,000 people. This continues a trend of relatively weak population growth when compared to the nation. It is, however, better than some other Midwestern states, none of which even approached the national average. Minnesota registered the highest growth rate, Michigan the lowest. The upper-Midwest can be characterized as the slow-growing population region of the country, distant from the primary immigration centers of the three coasts.

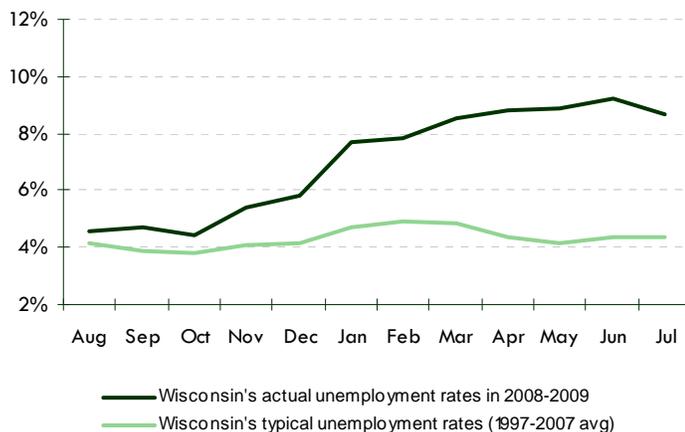
Wisconsin's population increase was more a function of natural increase (births net deaths) than net migration (people moving into and out of the state), similar to the national situation. Most of the high-growth states have sizable net migration components augmenting the natural population increases. The average age of Wisconsin's population is greater than the U.S. average. This is due more to the fact that Wisconsin has relatively fewer young people, as opposed to an over abundance of the aged. Birth rates in Wisconsin are lower than many other states in the Union, due primarily to the relatively high percentage of non-Hispanic whites in the state's population, who have lower birth rates than African Americans and Hispanic whites and non-whites in the state.

Unemployment Rate Situation

The graph below compares twelve months of unemployment rates in Wisconsin through July 2009 to a eleven-year historical average from 1997-2007. Like most states and the nation as a whole, Wisconsin's unemployment rate during this recession surged to levels not seen

Unemployment Rate Situation

Wisconsin's Typical & Current Unemployment Rates



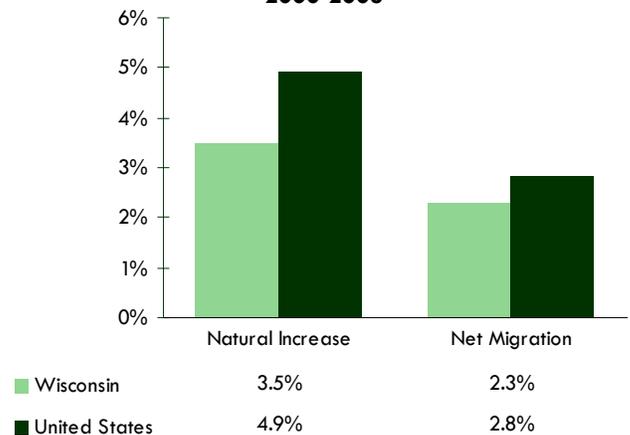
Source: WI DWD, Bureau of Workforce Training, LAUS, 2009

Wisconsin, Nation, and Regional Population

| | April 1, 2000 Census | July 1, 2008 Estimate | Numeric Change | Proportional Change |
|-----------------------|-------------------------|--------------------------|----------------|------------------------|
| United States | 281,421,906 | 304,374,846 | 22,952,940 | 8.2% |
| Midwest Region | 53,000,840 | 54,613,985 | 1,613,145 | 3.0% |
| Wisconsin | 5,363,675 | 5,627,610 | 263,935 | 4.9% |
| Illinois | 12,419,293 | 12,842,954 | 423,661 | 3.4% |
| Indiana | 6,080,485 | 6,388,309 | 307,824 | 5.1% |
| Iowa | 2,926,324 | 2,993,987 | 67,663 | 2.3% |
| Michigan | 9,938,444 | 10,002,486 | 64,042 | 0.6% |
| Minnesota | 4,919,479 | 5,230,567 | 311,088 | 6.3% |
| Ohio | 11,353,140 | 11,528,072 | 174,932 | 1.5% |

Source: U.S. Bureau of Census, Ann. Pop. Estimates, April 2010

Components of Population Change, 2000-2008



Source: WI Dept. of Administration, Demographic Svcs, Pop Est.

since the early 1980s. Unemployment rates rose rapidly in the fourth quarter of 2008 (in part due to seasonality, as

expected), but unemployment rate increases accelerated in earnest during 2009. The typical seasonal patterns are expected to remain intact, albeit at higher levels.

Even if economic recovery is declared in the second half of 2009, employment gains will lag the economic turnaround. It is likely unemployment rates will remain quite elevated for the remainder of 2009 and well into year 2010. Businesses tend to be cautious about taking on more employees early in an economic recovery, wanting assurance that growth will continue. Employers usually restore regular hours first and then add a few overtime hours before they hire new or previously laid-off workers.

Jobs & Wages

| Wisconsin | First Quarter Employment | | Second Quarter Employment | | Third Quarter Employment | | Fourth Quarter Employment | |
|-------------------------------|--------------------------|------------------|---------------------------|------------------|--------------------------|------------------|---------------------------|------------------|
| | 2008 level | 2007-2008 change | 2008 level | 2007-2008 change | 2008 level | 2007-2008 change | 2008 level | 2007-2008 change |
| All industries | 2,725,828 | 0.3% | 2,800,472 | 0.1% | 2,777,883 | - 0.3% | 2,771,111 | - 1.3% |
| Natural Resources | 20,163 | 4.1% | 23,814 | 3.9% | 25,758 | 3.6% | 24,511 | 4.1% |
| Construction | 108,748 | - 4.0% | 123,906 | - 5.4% | 129,885 | - 6.2% | 118,886 | - 8.9% |
| Manufacturing | 494,609 | - 0.5% | 496,670 | - 1.1% | 497,280 | - 2.0% | 481,285 | - 3.5% |
| Trade, Transport. & Utilities | 549,569 | - 0.3% | 556,412 | - 0.8% | 554,267 | - 1.3% | 559,156 | - 2.4% |
| Information | 51,786 | 1.2% | 52,284 | 1.4% | 51,844 | - 0.6% | 51,336 | - 1.9% |
| Financial Activities | 158,961 | - 0.2% | 160,643 | 0.1% | 160,911 | 0.2% | 158,791 | - 0.6% |
| Prof. & Business Services | 277,470 | 3.3% | 283,670 | 1.0% | 288,011 | 0.4% | 278,107 | - 2.3% |
| Education & Health | 586,921 | 1.8% | 592,993 | 2.4% | 542,886 | 2.1% | 601,780 | 2.3% |
| Leisure & Hospitality | 251,972 | - 0.6% | 276,258 | - 0.6% | 287,745 | - 1.1% | 260,421 | - 2.1% |
| Other Services | 83,841 | - 0.3% | 87,198 | 0.3% | 88,259 | 0.9% | 87,542 | 1.4% |
| Public Administration | 137,442 | 0.7% | 142,599 | 0.3% | 145,516 | 1.9% | 142,462 | 2.3% |

Source: WI DWD, Workforce Training, QCEW, June 2009

Wisconsin lost 196,000 jobs from December 2007 (when the recession started) through December 2009 on a non-seasonally adjusted basis. In proportional terms, this amounts to 6.7 percent drop in Wisconsin jobs. Moreover, almost 600,000 Form 1099 Misc tax statements were issued to unemployment insurance claimants. That means that of the roughly three million in Wisconsin's workforce (not all of whom are covered by unemployment compensation), about 20 percent or one in five received some sort of unemployment compensation in 2009.

Manufacturing is one of the largest industries in the state and it saw jobs declines amounting to over 15 percent from December 2007 to December 2009. Construction job losses preceded other industry job losses as the housing construction industry downturn began before the recession and may lag the recovery. Construction jobs were down almost 21 percent from the July 2005 peaks to the corresponding July 2009 levels, some 29,000 jobs. Construction jobs suffered severe losses throughout the downturn as housing and commercial building was devastated by the overlaid financial and credit crisis.

Nearly all industries suffered job losses through this economic downturn.

Only education and health care showed any consistent job increases through the recession, and even these growth rates were dampened. Professional and business services was doing quite well until the recession hit in earnest in the fourth quarter of 2008. As 2008 went on, more industries showed deeper job losses.

Average annual Wisconsin wages for all industries showed improvement from 2007 to 2008, and for the most part wage gains in Wisconsin outpaced the region as a whole. Education and Health is the only sector where Wisconsin wages exceed the regional average. As the recession wears on, however, year-over-year wage growth trends may change.

| Wisconsin | Wisconsin Annual Average Wage | | | Regional Annual Average Wage | |
|-------------------------------|-------------------------------|------------------|----------------------|------------------------------|------------------|
| | 2008 level | 2007-2008 change | As a share of Region | 2008 Level | 2007-2008 change |
| All industries | \$39,169 | 2.9% | 91.0% | \$43,059 | 2.4% |
| Natural Resources | \$31,227 | 6.8% | 85.1% | \$36,673 | 4.4% |
| Construction | \$49,658 | 4.6% | 96.9% | \$51,232 | 4.7% |
| Manufacturing | \$48,116 | 2.1% | 90.2% | \$53,354 | 1.4% |
| Trade, Transport. & Utilities | \$33,604 | 2.6% | 89.4% | \$37,587 | 1.9% |
| Information | \$49,838 | 2.8% | 91.9% | \$54,246 | 2.1% |
| Financial Activities | \$52,008 | 2.5% | 82.8% | \$62,818 | 1.3% |
| Prof. & Business Services | \$45,114 | 1.8% | 83.3% | \$54,170 | 3.8% |
| Education & Health | \$41,222 | 4.1% | 100.9% | \$40,835 | 3.3% |
| Leisure & Hospitality | \$14,102 | 3.8% | 87.6% | \$16,106 | 2.8% |
| Other Services | \$22,628 | 2.5% | 82.5% | \$27,422 | 2.6% |
| Public Administration | \$41,040 | 2.9% | 86.0% | \$47,723 | 3.9% |

Source: U.S. BLS, QCEW, April 2010

Jobs & Wages

Wisconsin has a degree of industry and geographic economic diversity not seen in many other states. For example, Minnesota's economic activity is concentrated in Minneapolis, and Illinois' activity is concentrated in Chicago. Wisconsin's economic activity in Milwaukee is not as dominant as those of the previous examples. Wisconsin has a relatively high concentration of its workforce in manufacturing. In fact, Wisconsin is the leader in the share of its workforce that is employed in the manufacturing sector, about 17 percent. Comparatively, the national average manufacturing employment concentration is now under 10 percent. This manufacturing concentration attribute is an asset and a liability. Manufacturing's share of total payroll is greater than its workers' share of total employment. This means that manufacturing jobs pay relatively well. Manufacturing usually takes the brunt of economic downturns, but usually responds more robustly in recoveries. Over time, manufacturing jobs have been decreasing in absolute terms.

Manufacturing is the largest employment sector in Wisconsin, although its share has been decreasing (as is true across the country), and it pays higher than average wages. The primary Wisconsin industries within the manufacturing sector are: fabricated metal products, machinery, transportation equipment, and electrical equipment. Education services and health care related services are about the only industries to show job growth through 2008.

The prominent employers in Wisconsin as ranked by employee size are concentrated in retail and public entities. Wal-Mart and Kohl's are retailers among the state's top employers. Public entities such as public education (UW-Madison, Milwaukee Public Schools) and the Department

| Prominent Industries in Wisconsin | | | |
|--|---------------------------|-----------------------------|-----------------------------|
| Industry Sub-sectors (3-digit NAICS) | Fourth Quarter Employment | | |
| | 2008 Level Wisconsin | Change 2007- 2008 Wisconsin | Change 2007- 2008 Wisconsin |
| Education services | 226,443 | 1.8% | 1.8% |
| Food services & drinking places | 185,635 | - 2.2% | - 2.2% |
| Hospitals | 125,674 | 2.2% | 2.2% |
| Administrative & support services | 124,325 | - 8.4% | - 8.4% |
| Ambulatory health care services | 109,427 | 2.3% | 2.3% |
| Professional & technical services | 100,117 | - 0.2% | - 0.2% |
| Executive legislative & general government | 93,687 | 0.5% | 0.5% |
| Nursing & residential care facilities | 80,048 | 2.8% | 2.8% |
| Fabricated metal product manufacturing | 74,130 | - 2.8% | - 2.8% |
| Specialty trade contractors | 69,659 | - 9.8% | - 9.8% |

Source: WI DWD, Workforce Training, QCEW, July 2009

of Corrections are large employers in the state.

Providing health care to aging Baby Boomers is and will be a growing industry for the next 20 years. Replacing those retiring Baby Boomers in the workforce will require enhanced workforce training. As a result, we expect health care and education employment to continue to increase over the foreseeable future. Statewide retail employment is large, almost 300,000 workers, but it has been declining in number and share of the total workforce since 2001.

The economy has turned the corner, but slow job growth is expected in 2010 and even into 2011. Expectations for the state unemployment rate are to average about 8.5 percent for 2010, and 8.0 percent for 2011. Even if 5,000 jobs were consistently added per month, it will take over three years to reach the employment levels before the recession began in December 2007. Some industries, such as construction, manufacturing, and retail may never reach previous employment levels.

| Prominent Public and Private Employers in Wisconsin | | |
|---|---|-------------------------------------|
| Establishment | Service or product | Number of Employees (December 2008) |
| Wal-Mart Associates Inc | Discount department stores | 1,000+ employees |
| U.W. - Madison | Colleges, univ. & professional schools | 1,000+ employees |
| U.S. Postal Service | Postal service | 1,000+ employees |
| Milwaukee Public School | Elementary & secondary schools | 1,000+ employees |
| Department of Corrections | Correctional institutions | 1,000+ employees |
| Kohl's Department Stores Inc | Discount department stores | 1,000+ employees |
| Menard Inc | Home centers | 1,000+ employees |
| Ultra Mart Foods Inc | Supermarkets & other grocery stores | 1,000+ employees |
| City of Milwaukee | Executive & legislative offices, combined | 1,000+ employees |
| Marshfield Clinic | HMO medical centers | 1,000+ employees |

Time will tell how it all turns out with respect to timing and degree of forthcoming economic trends. Recovery of consumer wealth and incomes will set the state for a continued economic recovery.

Source: WI DWD, Bureau of Workforce Training, QCEW, OEA special request, April 2009



Income

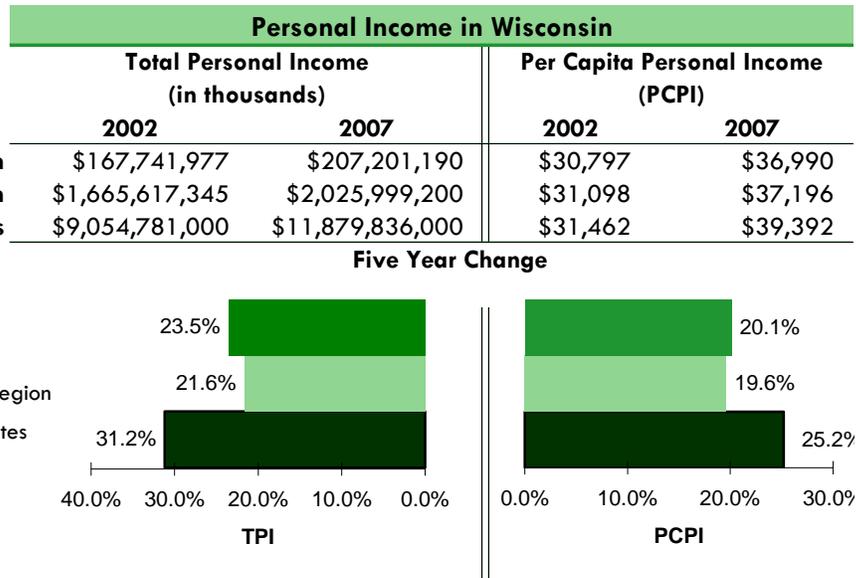
Total personal income, the broadest collection of income data, includes income from three main sources: net earnings; dividends, interest and rent; and transfer receipts. Net earnings come from employment, whether self-employed or employed by someone else. Dividends, interest and rents come from investments, savings accounts, dividends, retirement payments from company pensions, or 401(k) plans. Transfer receipts come from state and federal governments, primarily in the form of Social Security, Medicare payments, unemployment insurance, veterans benefits, welfare, and other payments received from public agencies. Net earnings make up the vast majority of income, with the remaining amount divided between the other two components. In most Wisconsin counties, and in the state and nation, income from net earnings exceeds two-thirds of total personal income. Many seasonal workers, such as loggers or tourism workers, receive government assistance during the off season.

The chart above illustrates how Wisconsin compares to the region and nation in total personal income (TPI) and Per Capital Personal Income (PCPI). Wisconsin's five-year total personal income increased by over 23 percent from 2002-2007. This rate is higher than the previous year's rate which increased only 20.7 percent. The same can be said about the national total personal income, the five year amount changing over 31 percent versus the equivalent figure of a year ago being up 25.8 percent. Wisconsin's TPI growth rate exceeds the Midwest region average of less than 22 percent.

Likewise, per capita personal income growth rates increased for the current five-year period as compared to last period's figure. Wisconsin PCPI grew over 20 percent versus the 17 percent figure of a year ago. The figure is slightly higher than the regional marks.

The higher marks recorded for the U.S. indicate that income and per capita income are growing faster for the nation as a whole than for Wisconsin and Midwest states.

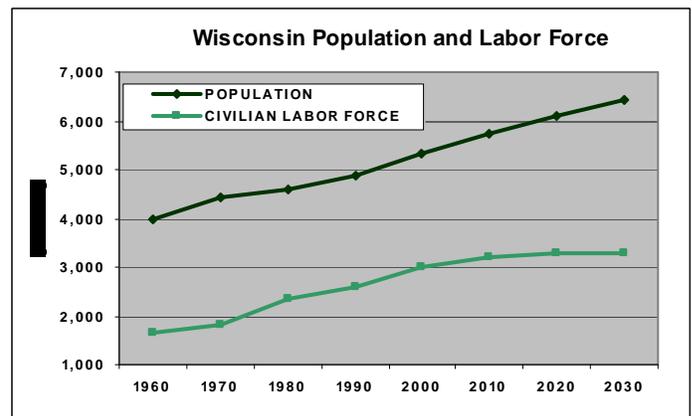
Wisconsin's relatively slower growth in total personal income can be caused in part by the state's slower population and workforce growth. Our slower personal per capita income rates could be attributed to our relatively larger segment of the older population shifting from earned income to transfer payments that increase little in real terms. Another contributing factor to a slower PCPI is that Wisconsin may lack the jobs/talent combina-



Source: US Dept. of Commerce, Bureau of Economic Analysis, April 2009

tion to command higher earnings rates in the evolving economy.

Increasing Wisconsin's talent pool and the jobs that will employ them is critical for the state's economic future. Wisconsin's workforce growth will flatten out in the next ten to twenty years due to baby boomers leaving the workforce. If worker productivity doesn't increase sufficiently to raise wages, the state would experience very slow economic growth at best. A slow growth economy has extensive ramifications for employment, tax revenue,



public services, and standard of living.

The above graph is based primarily on demographic data. Demographic data is about the most dependable available, as people age at a known rate. There will be little deviation from the projected trends. Moreover, if the talent supply doesn't match industry demand, both will be lost. If the talent can't find suitable jobs they will leave. If business can't find sufficient talent and skills mix, they will move elsewhere or close up altogether.

Source: US Dept. of Commerce, Bureau of Economic Analysis, April 2009