STEVENS POINT AREA
2006
ECONOMIC INDICATORS

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Special Report: The Wisconsin Labor Market: Trends and Challenges
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TABLE OF CONTENTS

1947

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National and Regional Outlook

The U.S. Bureau of Economic Analysis reports that first quarter 2006 real GDP rose by 4.8 percent. This is a very robust number and reflects the strength of the national economy. This also represents a healthy rebound from the weak 1.7 percent growth registered in fourth quarter 2005. The impact of the gulf coast hurricanes had a major negative impact on the fourth quarter real GDP number. In addition, the civilian unemployment rate in the U.S. was down to just 4.7 percent on a seasonally adjusted basis in March. The Bureau of Labor Statistics data also shows that the unemployment rate peaked in mid-2002 at around 6.5 percent. For the record, the U.S. has had seventeen quarters of economic expansion.

Moreover, much progress has taken place nationally in regard to the unemployment situation. The government reports that the country's payrolls have expanded by over six hundred thousand net jobs in the February through March time frame. Further, the index of leading economic indicators is up, core inflation remains under control, and housing activity remains strong; all suggesting a rather rosy economic picture. However, it is important to recognize that real personal income growth over the past five years has been anemic and household medium income has been stagnant. This strongly suggests that a very large segment of the population has not benefited from the overall growth of the economy. The reason most often cited for this has been the decline of manufacturing sector jobs, the growth of lower paying replacement jobs in the retail sector, and to some extent the growth of the services sector.

With a few minor accounting adjustments, GDP is a measure of national income. So it has to be true that part of the population has done very well economically over the past number of years. In addition, the Bureau of Economic Analysis reports that corporate profits were at a seasonally adjusted $700 billion in 2001. By the end of fourth quarter 2005, profits expanded to $1,479 billion, more than doubling over the period. Moreover, the rapid growth in corporate profits has helped to fuel a major upward movement in the nation's financial markets. Since 2002, most of the major markets have recorded impressive gains. For example, the Federal Reserve Board reports that the Dow Jones Industrial Average is near an all time record level and the S & P 500 Index has rebounded smartly from a low of about 900 to around the 1300 level over the past three years, a gain of about 45 percent. Thus, you would expect that with the increases in the financial markets and the huge gains in real estate prices, that median household net wealth would be rising.

However, this is not the case. The Federal Reserve reported in its latest Survey of Consumer Finances (February 2006) that the median net worth of American households rose by just 1.5 percent over the past three-year period of 2001-2004. To be fair, it should be pointed out that if 2005 data were available for their analysis, the rate of growth most likely would have been higher. In contrast, net wealth expanded

17.4 percent during the years 1995-1998 and by 10.3 percent from 1998-2001. The benefits of the expanding national economy have not reached middle income Americans.

Given the slowdown in real personal income growth, median household income, and household net worth, it becomes more understandable as to why Americans are so concerned about the health of the economy. The latest Wall Street Journal/NBC News Poll shows that 77 percent of Americans are uneasy about the economy. The rising cost of energy, the potential conflict with Iran, the ongoing conflict in Iraq, the inability of the nation to secure its own borders, the growing trade deficit, the record federal budget deficit, the looming problems of Social Security and Medicare, and the threat of competition from overseas have all contributed to a growing anxiety about the economy and the future direction of our nation.

TABLE 1

NATIONAL ECONOMIC STATISTICS

	2005 First Quarter	2006 First Quarter	Percent Change
Nominal Gross Domestic Product (Billions)	$12,198.8	$13,020.9	+6.7
Real Gross Domestic Product (Billions of 2000 $)	$10,999.3	$11,381.4	+3.5
Industrial Production (2002 = 100)	107.3	111.2	+3.6
Three Month U.S. Treasury Bill Rate	2.78%	4.50%	+61.9
Consumer Price Index (1982-84 = 100)	193.3	199.8	+3.4

Central Wisconsin

The highlights of the central Wisconsin section of the report are as follows. Unemployment rates were generally higher than twelve months ago and employment in the three-county area was at about the same level as in 2005. The manufacturing sector continues to be a drag on the employment numbers, declining by 1,000 positions over the past twelve months. The sales tax collection numbers suggest that retail activity is doing well in central Wisconsin. Lastly, business leaders indicate that economic growth has been modest over the year.

The seasonally unadjusted unemployment rates rose over the past twelve months in Portage and Marathon counties. The rate for Portage was at 6.0 percent and for Marathon 5.3 percent during March 2006, compared to 5.6 percent and 5.0 percent respectively in March 2005. Wood County, although still having the highest unemployment rate in the three-county area, did experience a decline in its rate, 7.1 percent to 6.5 percent over the course of the year. The unemployment rate for Wisconsin was virtually unchanged during the year. The U.S. unemployment rate, however, declined from 5.4 percent to 4.8 percent.

Total employment estimates are based on a government survey of households. Table 3 shows that total employment fell in Portage and Wood counties by 1.4 percent and 0.1 percent respectively. Marathon payrolls, however, expanded by almost 2.0 percent over the past twelve months. Wisconsin added about 20,000 jobs or 0.8 percent to its payrolls. Meanwhile, the number of jobs in the U.S. grew at a more robust 2.2 percent.

Industrial sector employment is given in Table 4 for central Wisconsin and is estimated by the state by conducting a survey of area employers. Total industrial sector employment grew by a scant 0.1 percent or by 100 net new positions. Manufacturing once again experienced the greatest amount of contraction, declining by 1,000 positions in the three-county area since 2005. Leisure and hospitality, in contrast, experienced the largest gain by posting a 700 net job increase, a 7.0 percent rate of growth.

An excellent barometer of retail activity is sales tax collections and distributions. Portage County experienced a substantial gain in sales tax collections, up by nearly 15 percent from a year ago. Likewise, Marathon County experienced a very healthy expansion in retail activity by posting a gain of over 9 percent. Wood County sales tax collections grew at a more modest 1.2 percent over the same period. Overall, there was a substantial increase in the level of shopping in the three-county area.

The CWERB does a quarterly survey of regional business leaders in central Wisconsin. When asked about recent changes, this group felt that the local and national economies were slightly stronger than last year. When we asked them to focus on the future, this group expected that the local and national economies would continue to strengthen, albeit at a modest pace, over the next several quarters. Thus, steady modest growth seems to be the consensus forecast for this group.

TABLE 2

UNEMPLOYMENT IN CENTRAL WISCONSIN

	Unemployment Rate March 2005	Unemployment Rate March 2006	Percent Change
Portage County	5.6%	6.0%	+8.8
City of Stevens Point	6.8%	7.5%	+10.3
Marathon County	5.0%	5.3%	+5.2
Wood County	7.1%	6.5%	-8.3
Central Wisconsin	5.7%	5.8%	+1.8
Wisconsin	5.5%	5.5%	+1.0
United States	5.4%	4.8%	-10.5

TABLE 3

EMPLOYMENT IN CENTRAL WISCONSIN

	Total Employment March 2005 (Thousands)	Total Employment March 2006 (Thousands)	Percent Change
Portage County	37.9	37.4	-1.4
City of Stevens Point	12.9	13.0	+0.8
Marathon County	69.6	70.9	+1.9
Wood County	37.6	37.6	-0.1
Central Wisconsin	145.1	145.9	+0.5
Wisconsin	2,862.3	2,883.9	+0.8
United States	139,759	142,772	+2.2

* Percent change figures reflect data before rounding

TABLE 4

CENTRAL WISCONSIN EMPLOYMENT CHANGE BY SECTOR

	Employment March 2005 (Thousands)	Employment March 2006 (Thousands)	Percent Change
Total Nonfarm	146.2	146.3	+0.1
Total Private	126.5	126.4	-0.1
Construction & Natural Resources	5.1	5.0	-2.4
Manufacturing	29.4	28.4	-3.4
Trade	24.9	25.1	+0.8
Transportation & Utilities	7.7	7.8	+1.0
Financial Activities	10.2	10.3	+0.9
Education & Health Services	21.6	21.3	-1.2
Leisure & Hospitality	10.4	11.1	+7.0
Information & Business Services	17.2	17.4	+1.1
Total Government	19.6	19.9	+1.4

TABLE 5

COUNTY SALES TAX DISTRIBUTION

	Sales Tax 2005 First Quarter (Thousands)	Sales Tax 2006 First Quarter (Thousands)	Percent Change
Portage County	$1,045.0	$1,199.7	+14.8
Marathon County	$2,487.5	$2,713.6	+9.1
Wood County	$1,056.6	$1,069.5	+1.2

TABLE 6

BUSINESS CONFIDENCE IN CENTRAL WISCONSIN

	Index Value	
	December 2005	March 2006
Recent Change in National Economic Conditions	46	56
Recent Change in Local Economic Conditions	52	59
Expected Change in National Economic Conditions	61	60
Expected Change in Local Economic Conditions	62	59
Expected Change in Industry Conditions	65	60

100 = Substantially Better
50 = Same
0 = Substantially Worse

The Greater Stevens Point-Plover Area

Highlights of the Stevens Point-Plover area report are as follows. Total industrial sector employment fell by a substantial 2.6 percent from last year. Retailers were fairly upbeat in their assessment of current sales activity. Help wanted advertising took a rather large dip in March. Moreover, public assistance surged in both new applications and total caseload. Unemployment claims however, both new and total fell from 2005 levels. Lastly, residential and nonresidential construction is booming in the local area.

Portage County industrial sector employment is estimated by the state to have contracted by 900 positions or 2.6 percent from a year ago. The sectors contracting the most were education and health services and total government, by 300 and 600 jobs respectively. Manufacturing declined by 200 positions over the period. The only bright spot in the industrial sector numbers comes from the leisure and hospitality sector.

The CWERB surveys area merchants twice a year to check on retail conditions in the local area. Our survey group tells us that store sales are noticeably higher than a year ago and store traffic is modestly improved. We asked this group to forecast future activity levels. They indicated that sales and traffic would grow albeit at a modest pace. The overall level of optimism expressed by this group was slightly higher than what they expressed in December 2005.

A good barometer of local labor conditions is help wanted advertising. Even though this number captures only a small portion of the number of jobs available in the area it is nonetheless a good indicator of labor market trends. The index contracted by 22 points or by 26 percent over the past twelve months. This suggests a weak labor market is shaping up for the area. Meanwhile, the U.S. help wanted advertising index was about the same level as a year ago.

Public assistance figures are a measure of local family financial distress. The county has experienced a surge in the number of public assistance claims. The number of new applications rose on a monthly basis from 238 to 270 or by 13.4 percent since 2005. Likewise, the total caseload on a monthly basis has risen from 4,561 to 5,173 or by 13.4 percent for the county. Thus, a growing segment of our population is finding it increasingly more difficult to find financial stability. Another measure of local financial family distress is unemployment claims data. Table 11 shows new claims on a weekly average basis actually contracted from 258 to 229 or by 11.3 percent. Moreover, total claims fell from 1,788 to 1,671 or by 6.5 percent over the year.

Residential construction turned in another good period. The number of residential permits issued climbed from 17 to 33 and the estimated value of the proposed construction rose from $3.1 million to $6.8 million. Also, the number of housing units jumped by 144 percent over the period. Residential alteration permits stayed at around an impressive 90 permits issued and the estimated value of the activity expanded from $616 thousand to $776 thousand or by 26 percent.

Due to its volatility, nonresidential construction is given without percent changes. The number of building permits was 5 and the estimated value was $2.6 million. A new M&I Bank at the Crossroads Commons development area was the largest single project during first quarter. The number of business alteration permits reached 44 and they had an estimated value of nearly $3.0 million.

TABLE 7

PORTAGE COUNTY EMPLOYMENT CHANGE BY SECTOR

	Employment March 2005 (Thousands)	Employment March 2006 (Thousands)	Percent Change
Total Nonfarm	33.9	33.0	-2.6
Total Private	27.8	27.5	-1.0
Construction & Natural Resource:	1.0	0.9	-12.6
Manufacturing	4.6	4.4	-3.8
Trade	5.8	5.8	+0.9
Transportation & Utilities	1.7	1.8	+8.2
Financial Activities	4.0	4.0	+0.2
Education & Health Services	3.6	3.3	-7.5
Leisure & Hospitality	2.8	3.0	+5.4
Information & Business Services	4.4	4.4	+1.1
Total Government	6.1	5.5	-9.9

* Percent change figures reflect data before rounding

TABLE 8

RETAILER CONFIDENCE IN STEVENS POINT-PLOVER AREA

	Index Value	
	December 2005	**March 2006**
Total Sales Compared to Previous Year	55	62
Store Traffic Compared to Previous Year	53	57
Expected Sales Three Months From Now	59	60
Expected Store Traffic Three Months From Now	54	55

100 = Substantially Better
50 = Same
0 = Substantially Worse

TABLE 9

HELP WANTED ADVERTISING IN PORTAGE COUNTY

	Index Value	
	2005	**2006**
Stevens Point (March) 1980=100	84	62
U.S. (February) 1987=100	41	39

TABLE 10

PUBLIC ASSISTANCE CLAIMS IN PORTAGE COUNTY

	2005 First Quarter (Monthly Avg.)	2006 First Quarter (Monthly Avg.)	Percent Change
New Applications	238	270	+13.4
Total Caseload	4,561	5,173	+13.4

TABLE 11

UNEMPLOYMENT CLAIMS IN PORTAGE COUNTY

	2005 First Quarter (Weekly Avg.)	2006 First Quarter (Weekly Avg.)	Percent Change
New Claims	258	229	-11.3
Total Claims	1788	1671	-6.5

TABLE 12

RESIDENTIAL CONSTRUCTION IN STEVENS POINT-PLOVER AREA*

	2005 First Quarter	2006 First Quarter	Percent Change
Residential Permits Issued	17	33	+94.1
Estimated Value of New Homes	$3,133.0 (thousands)	$6,803.1 (thousands)	+117.1
Number of Housing Units	18	44	+144.4
Residential Alteration Permits Issued	94	92	-2.1
Estimated Value of Alterations	$616.0 (thousands)	$776.3 (thousands)	+26.0

TABLE 13

NONRESIDENTIAL CONSTRUCTION IN STEVENS POINT-PLOVER AREA*

	2005 First Quarter	2006 First Quarter
Number of Permits Issued	4	5
Estimated Value of New Structures	$9,351.0 (thousands)	$2,586.9 (thousands)
Number of Business Alteration Permits	34	44
Estimated Value of Business Alterations	$962.9 (thousands)	$2,832.1 (thousands)

* Includes Stevens Point, Village of Plover, and the Towns of Hull, Stockton, Sharon, and Plover.

The Wisconsin Labor Market: Trends and Challenges

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Introduction

In the United States and other developed economies, the labor market impacts virtually all segments of society. Almost everyone is participating, has participated, or will participate in the labor force, with wages derived from labor the primary source of income. Projections about future labor market conditions drive human capital and business decisions, with widespread effects on the economy and society as a whole. However, the labor market is also one of the most dynamic elements of any economy, and can vary significantly across regions. As such, this paper analyzes specific elements of Wisconsin's labor market, focusing on recent trends and future challenges for the state as a whole, and for Marathon, Portage and Wood counties specifically. As a framework for analysis this paper examines the labor market from the three basic elements of any labor market: equilibrium, supply, and demand. The first section examines equilibrium outcomes, and sets the stage for further analysis by placing Wisconsin's labor market in a national context. The second section discusses important trends and challenges concerning labor supply, while the third section addresses the same issues for labor demand. The paper concludes by highlighting possible public policy and other solutions to the labor market challenges.

Equilibrium Outcomes: Employment and Wages

In terms of the labor market two variables that can be considered equilibrium outcomes are employment and wages. While many labor markets are far from perfectly competitive, at least to some extent, these outcomes are determined by the interaction of labor supply and labor demand, and not just by one or the other. To provide a basis for analysis and to place Wisconsin in national context, information on employment and wages is presented in Table 1. The information is broken down into ten broad industrial categories of private industry. Information for Wisconsin is presented in the first two columns while the remaining columns present the same for the United States as a whole. The first column for each region contains employment, average annual wage in constant year 2005 dollars, and the percent of total employment attributed to each industry in 2005. The second column for each region presents the percentage change of the variables since the last recession year in 2001.

Examining the percentage of total employment in each sector one sees that the pattern of employment in Wisconsin follows the national pattern with only a few minor exceptions. For both Wisconsin and the United States trade, transportation and utilities employ the largest percentage of workers with over a fifth of total private employment, while natural resources represents the smallest sector of employment with under a percent. However, Wisconsin relies relatively more on education and health services (21.21% to 15.53%) and manufacturing (19.63% to 12.75%) than the United States and relatively less on professional and business services (10.21% to 15.12%).

Along with similar employment allocations, a similar pattern of employment change is evident, although the magnitudes of change vary significantly. The most significant factor is that Wisconsin has not benefited as greatly from the economic expansion since November 2001 as the United States overall, with employment growing by only 0.17% by 2005, roughly a fifth of U.S. growth. Wisconsin also changed in different industrial sectors than the national trend, although some of the differential likely was due to differences in the relative importance of the sectors in overall employment. Wisconsin grew significantly more slowly in construction and education and health services, more quickly in professional and business services, and lost significantly fewer jobs in information and manufacturing than the United States. The slower decline in manufacturing is particularly important for Wisconsin given the relative dependence on this industrial sector for jobs.

Another issue which is evident from the wage information in the table is that the expansion since 2001 has not necessarily benefited employees financially either in Wisconsin or the United States. Of the ten industrial sectors, Wisconsin saw real wage declines in four categories, while the United States saw declines in five. Given the slow overall job growth this fact may not be too surprising, although it is somewhat troubling given the relatively weak performance of wages during the last expansion in the 1990s as well.

Although Wisconsin as a whole matches national patterns in employment and wages relatively closely, there is a great deal of variation within Wisconsin. Employment and wage information for Marathon, Portage and Wood counties is presented in Table 2. In terms of employment shares the three counties have different strengths, with Marathon County employing the largest share of its workers in manufacturing, and Wood County focusing on education and health services. For Wood County the numbers clearly reflect the influence of the two largest employers, namely Marshfield Clinic and St. Joseph's Hospital (Department of Workforce Development 2005b). Portage County's largest employment share is in the trade, transportation and utilities category, although Portage County also shows a relatively larger share of employment compared to Marathon and Wood counties in the financial activities sector due to their largest employer Sentry Insurance (Department of Workforce Development 2005a).

Table 2 also shows that the three counties have fared much differently since 2001. While Marathon County enjoyed robust 3.51% job growth, Portage and Wood Counties experienced employment declines, with Wood County losing almost four percent of their jobs since 2001 despite the economic expansion. Relative to the other two counties Marathon County experienced strong growth in information and manufacturing, managing small increases in employment compared to large declines in the other two counties. Marathon County also experienced strong growth in education and health services which is significant given the relatively high average wage in the sector. Portage County did experience relative employment gains in construction, other services, and trade over the period, but also posted double digit losses in the information, manufacturing, and natural resources sectors. Wood County saw dynamic changes in employment patterns over the time period seeing solid increases in education and health services and professional and business services employment, but also seeing huge declines in employment for financial activities, -25.06%, information, -19.55%, manufacturing, -24.89%, and other services, -40.15%. Of particular interest given the state and national trends is that Marathon County was not only able to avoid the common declines in manufacturing employment, but they were also able to increase the size of the manufacturing sector. In contrast, Portage and Wood Counties simply saw the national trend played out to a greater degree.

Not surprisingly given the employment changes, there was also a wide difference in wage trends. Marathon County did experience real wage declines in four of the ten industrial sectors, although none were particularly severe in terms of magnitude or in terms of high employment sectors affected. Predictably, Portage and Wood Counties saw more severe wage declines. Portage County experienced wage declines in half of the sectors, with the decline in trade, transportation, and utilities particularly severe, both in terms of the magnitude, -13.87%, and the fact that over a quarter of workers are employed in the sector. Wood County saw wages decline in six of the ten sectors with large magnitude declines in financial activities, information, and other services. A hidden positive to the wage numbers for Wood County though was the fact that none of the large declines occurred in high employment sectors, while the education and health services and trade sectors, which combined employed over 60% of Wood County workers, both experienced robust wage growth of 6.21% and 8.32% respectively.

The starkest conclusion that can be reached from Tables 1 and 2 is that labor market equilibrium outcomes have been markedly different within the Central Wisconsin region despite the geographical proximity of the three counties. Marathon County fared much better than both Portage and Wood Counties, and also outperformed the state and nation over the recent expansion. The next two sections examine some potential challenges that may arise for Central Wisconsin that are sure to cause more changes in these equilibrium outcomes.

Issues in Labor Supply: Population Aging and Increasing Education

In terms of labor supply, the workers who make up the labor force, perhaps the single largest issue facing Wisconsin and the United States is the aging of the population. While accelerated by the Baby Boom generation, the trend of population aging has been fueled by more general trends in birth rates and mortality primarily. Population numbers for 1990 and 2005 are presented in Table 3 by age group and region, along with population projections for 2020. The top panel for each state/county presents the percentage of the age 20 and older population that falls within each age category, while the bottom panel displays the absolute population numbers.

The most striking trend for Wisconsin and all three counties since 1990 and projected out to 2020, is the decline in the percentage of the population within the age 20-29 range and the increase in the percentage of the population within the age 55-64 range. Even disregarding the implications of an aging society on public programs such as health care and pensions, the trends are important because of their effects on the size of the labor force. The share of workers entering the labor force is falling while the share of those workers in the traditional retirement age bracket and soon to be leaving the labor force is rising. Within the near future employers may be faced with the fact that ready replacements of young workers are not available to fill the positions left by older retiring workers. This potential relative labor shortage could force employers to reevaluate their recruitment and retirement policies, or look in different places for workers.

While the age shares of population numbers show the potential problems of an aging workforce, the absolute population numbers illustrate differences in the magnitude of the problem across the three counties. Although Wisconsin and Marathon County do display the trends in population shares leading to an aging workforce, between 2005 and 2020 the absolute numbers of 20-29 year olds is expected to increase slightly, partially offsetting the absolute increase in age 55-64 year olds. On the other hand, Portage and Wood counties are not only seeing their work force age in terms of population shares, but are also projected to see absolute declines in the age 20-29 population between 2005 and 2020 further exacerbating the problem of replacing retiring workers.

In addition to the aging of the labor force, Wisconsin may face problems with the size of the labor force overall. Turning to the numbers for the workers in the traditional labor force age range, 20-64, we see that the share of the population in traditional age ranges is declining for Wisconsin as well as the three counties individually. In the state and in Marathon County, the share of the population age 20-64 is projected to drop from about 82% in 2005 to about 77% in 2020, with larger percentage point declines in Portage and Wood County. In terms of absolute numbers the labor force aged share of the population is expected to increase by 2020 except in Wood County which is projected to see small declines.

The projections to 2020 may also not catch the entire severity of the issue. The Baby Boom generation includes births between 1946 and 1964 meaning that Boomers will not reach age 65 until between 2011 and 2029. Projections reaching to only 2020 only capture the midpoint of the Baby Boom age range, with the full effects of the generational bubble likely not felt until about 2030. Looking at projections out to 2030 (unreported numbers) this appears to be the case, with absolute numbers for the age

20-64 population projected to decline between 2020 and 2030 for Wisconsin and all three counties. Combined with the relative shortfall of younger workers, this population trend of overall labor shortage may place significant pressure on employers to meet labor demand in growing industries.

A second labor supply trend that may significantly alter the shape of the labor force is the trend towards greater levels of education. Numbers reporting the educational attainment of individuals age 25 and over are presented in Table 4. The table includes the percentage of the population with various levels of educational attainment for the last two decennial censuses in 1990 and 2000, along with the percentage point change in each category over the time period.

What is immediately clear from the information in the table is that the population received markedly more education over the 1990s for all four geographic categories. For all four regions, every educational category other than less than a high school graduate increased its share (except for the Associate degree category for Wood County which stayed essentially the same). Additionally, the largest percentage point increase occurred in the Bachelor’s degree category except for in Wood Country where it was the second largest gainer. Even more positive are numbers for Wisconsin and Portage County where the categories with the second largest percentage point gains were both post-secondary degrees, a graduate or professional degree for the state overall and an associate degree for Portage County. Clearly the population as a whole shifted towards receiving greater education during the 1990s, a trend which obviously leads to a higher skilled work force. While past performance is not necessarily an indication of future trends, recent projections for the United States do suggest that the trend towards greater education will continue, at least through 2025 (Cheeseman Day and Bauman 2000). If this is indeed the case, it signifies a very positive trend for the state as employers should have a higher skilled pool of labor to choose from. In addition, if productivity gains follow worker skills, increasing education could be a potential way to alleviate the possible future labor shortage.

Labor Demand: Employer Skill Needs

Although in general it would appear that increasing levels of education is a positive trend for workers, whether they actually benefit from receiving more education depends on whether there is a demand for their skills. Although specific employment levels can be considered an equilibrium outcome, in a general context employment is driven by labor demand and the needs of employers. Even the highest level of worker skills will not benefit the individual if no one is willing to pay them for it.

Examining projections of employment over the next decade provides mixed evidence over the future skill needs of employers. Employment projections out to 2012 for occupations in North Central Wisconsin (Adams, Forest, Langlade, Lincoln, Marathon, Oneida, Portage, Vilas, and Wood counties) are presented in Table 5, chosen by various measures of performance. The second through fourth columns of the table present the numeric and percent change in employment between 2002 and 2012 as well as the average annual job openings in each occupation. The final two columns present the typical level of education or training required in each occupation as well as the average annual wage for the occupation (in 2005$).

The top panel of Table 5 presents the top ten occupations selected on the greatest number of average job openings per year (new positions plus replacements). Examining the occupational titles it appears that the vast majority of the jobs are relatively low-skill, with an average wage for the ten of only $28,234. Three of the ten are low-skill sales related occupations, two are low-skill food preparation and service jobs, and two more are low level transportation and material moving occupations. Turning to the education/training requirements the low-skill nature of the jobs is even more evident as seven of the ten occupations require only short term on-the-job training, while two more require only moderate on-the-job training. Only one occupation, registered nurse, requires a Bachelor’s level education and earns an average annual wage greater than $50,000. The occupational projections suggest that while residents may be receiving more education, employers may not necessarily be looking for highly educated workers when hiring.

A more positive outlook appears if a different metric is used to select the top ten occupations, fastest percentage growth, with the results presented in the middle panel of Table 5. Selecting on this condition the top ten projected occupations in 2012 do appear to require higher levels of education. Only three of the ten occupations require short or moderate on-the-job training, while five require a Bachelor’s or Associate degree. In addition, one of the occupations, physical therapist, requires a Master's degree as the typical level of education. The ten occupations also pay a much higher wage on average, with the group averaging $42,378, roughly 50% more than the occupations in the top panel. However, looking at the numeric increase in employment levels between 2002 and 2012 it is unclear how significant an impact the occupations will actually have on the economy as the higher skilled occupations create far fewer jobs in absolute terms than the lower skilled occupations in the first panel.

Another perspective to take when examining the skill needs of employer is to look at which occupations are leaving North Central Wisconsin. The bottom panel of Table 5 presents the ten occupations with the largest absolute numeric declines in employment over the time period. Although losing jobs is never a good thing for an economy, one moderately positive view that can be taken away from the numbers is that none of the occupations is a high-skill, high-pay occupation. All ten of the occupations require either short or moderate on-the-job training, and as a whole the ten occupations have an average wage of only $29,786. One interesting fact is that the ten occupations fall within only two broad occupational categories: production, and office and administrative support. While the fact that production jobs are declining is a well-documented trend, the office and administrative declines may be a bit more unexpected. However, looking at the occupational titles, many of the positions may be lost due to the higher levels of computer literacy possessed by the work force. Much of the computer related tasks previously performed by one secretary or typist may now be performed by the individual workers themselves, eliminating the need for these positions.

Considering the three pieces of information in Table 5 as a whole, it is unclear exactly what we can expect to happen in terms of employer skill demands over the next few years. While the projections suggest, as expected, that the region is losing lower skill production jobs, the skill requirements of the jobs being gained are more mixed. Numerically, many jobs added will be relatively low-skill, but it appears that there will be a strong and fast growing need for higher skill workers in some areas of the labor market. Which jobs are created over the coming years is a concern particularly given the increasing levels of education in the economy. If high-skill jobs are not created to employ educated workers, many of whom will be the younger workers just entering the labor force, the state and Central Wisconsin region risks losing their educated workers to other geographic areas. Given the already low absolute number of young workers projected to be entering the labor force in the future, the migration of these young, educated workers to other areas may exacerbate the labor supply problems previously discussed.

Addressing Labor Market Challenges: Public Policies and Other Solutions

Although the challenges concerning labor supply and labor demand are significant, there are things that can be done to alleviate the effects, particularly if the problems are recognized. With respect to the aging population, one potential strategy is very basic: do nothing. While the population trends are clear, the projection of a labor shortage due to population aging depends to some extent on the assumption that workers will not change their retirement behavior and will follow historical trends of retirement ages. However, this may not be the case as many older workers do not currently, and will not in the future, have the same level of retirement income security as past generations. The shift away from Defined Benefit pensions toward 401(k)/IRA Defined Contribution type pensions has shifted risk onto employees. When combined with rising health care costs, workers may have to work longer simply to be able to support themselves financially. If the trend towards longer work occurs, it may remove, or at least reduce, the projected labor shortage.

While the population trend is likely to be partially offset by extended labor force participation, it does not seem to be completely resolving the problem. Already in 2005, an AARP study of human resources managers reported that 58% thought it was more difficult to find qualified job applicants today than five years ago, and that the majority thought a labor shortage would occur in the coming decade (AARP 2005). In response to the expected shortage it appears that the do nothing strategy may not be advisable.

If a shortage is indeed occurring, there are two clear options of how to alleviate the population trends: convince older workers to stay longer or attract a greater number of younger workers. While logistically both would solve the problem, attracting a greater number of younger workers may not be an economy wide solution as the new workers may not exist. One company, industry, or region's success at attracting a greater share of young workers will simply exacerbate the problems of the other groups. This shortcoming leaves retaining older workers as the most efficient strategy for the overall economy. However, convincing older workers to stay at work may be easier said than done. To do so, employers will likely have to shift the components of compensation packages towards components favored by older workers, primarily health insurance. In the face of skyrocketing health care costs employers may be reluctant to pursue this path.

Another potential strategy to retain older workers is to offer more flexible work arrangements or 'partial retirement' schemes where employees reduce hours or responsibilities, or telecommute to reduce work related stress. The benefit of the plan is the retention of experienced, productive older workers who are not ready for a full retirement, but may not be willing or able to face the demands of full time work. This strategy does appear to be occurring although the evidence of its effectiveness is mixed. One study examining the trend reports that while 73% of employers surveyed report a willingness to adopt such policies to retain workers, only 36% have actually done so (Hutchens 2003). The shortfall between reported willingness to implement policies and actual implementation casts doubt on how honest the efforts to use these plans actually are.

Governments may also be able to help in the retention of older workers through alterations to pension law. The way many traditional Defined Benefit pensions are structured, workers who reach scheduled entitlement ages may actually make the same amount, or even more, by retiring than by continuing to work. In more extreme cases some plans even punish continuing work by reducing future pension benefits for each year worked past the specified retirement ages. Current pension law does not allow so called 'in-service' disbursements, where individuals receive payments from their pensions while working at the same employer, until the normal retirement age is reached. If the individual wishes to reduce hours earlier, they are not able to supplement their wages with pension disbursements. Removing this provision may have the effect of encouraging continued labor force participation as employers could reduce their labor costs by offering reduced wage/hour packages for older workers, while from the employee's perspective they would actually be making the same or more for fewer hours as wages would be supplemented by their accrued pension.

Turning to the labor demand concerns the solutions are somewhat more difficult. While the younger more educated generation of workers should be able to fill the projected growth in relatively low-skill occupations if they choose to do so, the skill mismatch between the supply of workers and the demand of employers may cause migration of the younger workforce out of Wisconsin and the North Central region to areas where their skills are in high demand. A natural solution to the problem is to encourage the growth of higher-skill industries and occupations so that young workers have employment opportunities within the state. However, encouraging high-skill, high-wage employers to enter a region is a goal of virtually all areas, making competition for industry location fierce. A possible strategy for Central Wisconsin could be to forge stronger relationships between employers and the institutions of higher education within the region, perhaps through increased internship opportunities or placement and recruitment services. These programs may help keep younger workers in the Central Wisconsin region, showing employers that if they locate in the area they will have a ready supply of workers. For Marathon, Portage and Wood counties in particular this may be a way to gain a competitive advantage over other regions as the region boasts three University of Wisconsin institutions, the four year University of Wisconsin – Stevens Point, as well as UW – Marathon County and UW – Marshfield/Wood County.

In conclusion, the Central Wisconsin counties do face some significant labor market challenges over the coming years, but steps can be taken to minimize the effects. With innovation from employers and timely public policy Marathon, Portage and Wood counties should be able to successfully address the challenges and reestablish a pattern of robust employment and wage growth.

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Table 1: Employment and Wages by Industry and Region 2001-2005

	Wisconsin		United States	
	2005 (1)	% Change 2001-2005	2005	% Change 2001-2005
Total Private Industry				
Employment	2,575,407	0.17%	111,662,000	0.86%
Construction				
Employment	128,629	0.71%	7,277,000	6.61%
Annual Wages	$41,357	-3.02%	$39,033	-2.19%
% Total Emp.	4.99%		6.52%	
Education & Health				
Employment	546,318	5.25%	17,342,000	10.85%
Annual Wages	$37,041	3.98%	$28,330	4.36%
% Total Emp.	21.21%		15.53%	
Financial Activities				
Employment	157,528	5.05%	8,141,000	4.28%
Annual Wages	$45,881	7.50%	$33,525	4.77%
% Total Emp.	6.12%		7.29%	
Information				
Employment	51,402	-6.73%	3,066,000	-15.51%
Annual Wages	$42,952	4.73%	$41,906	-0.04%
% Total Emp.	2.00%		2.75%	
Leisure & Hospitality				
Employment	266,648	6.66%	12,802,000	6.36%
Annual Wages	$12,237	-2.55%	$12,235	-0.85%
% Total Emp.	10.35%		11.46%	
Manufacturing				
Employment	505,507	-9.86%	14,232,000	-13.44%
Annual Wages	$43,749	2.33%	$35,028	2.63%
% Total Emp.	19.63%		12.75%	
Natural Resources				
Employment	21,013	6.26%	625,000	3.14%
Annual Wages	$26,867	-0.46%	$44,402	2.16%
% Total Emp.	0.82%		0.56%	
Other Services				
Employment	83,806	0.90%	5,386,000	2.43%
Annual Wages	$20,297	-3.19%	$23,039	-6.27%
% Total Emp.	3.25%		4.82%	
Prof. & Bus. Services				
Employment	262,833	9.90%	16,882,000	2.46%
Annual Wages	$39,156	2.49%	$32,160	0.54%
% Total Emp.	10.21%		15.12%	
Trade, Trans., & Util.				
Employment	551,723	-2.61%	25,909,000	-0.28%
Annual Wages	$30,767	2.04%	$25,927	-1.61%
% Total Emp.	21.42%		23.20%	

(1) Numbers for 2005 are first three quarters only.

Note: Annual wages are in constant 2005 dollars.

Sources: WI Department of Workforce Development. *Quarterly Census of Employment & Wages, June 2005* .
WI Department of Workforce Development. *Quarterly Census of Employment & Wages, December 2005* .

Table 2: Employment and Wages by Industry and County 2001-2005

	Marathon		Portage		Wood	
	2005 (1)	% Change 2001-2005	2005	% Change 2001-2005	2005	% Change 2001-2005
Total Private Ind.						
Employment	67,207	3.51%	29,866	-1.15%	40,045	-3.88%
Construction						
Employment	2,894	3.35%	1,122	13.48%	1,672	1.95%
Annual Wages(2)	$37,960	-6.09%	$38,913	16.73%	$39,295	-3.20%
% Total Emp.	4.31%		3.76%		4.18%	
Education & Health						
Employment	10,964	18.36%	5,386	-0.77%	14,464	11.88%
Annual Wages	$38,601	3.49%	$38,515	3.13%	$47,857	6.21%
% Total Emp.	16.31%		18.04%		36.12%	
Financial Activities						
Employment	5,068	6.81%	3,965	6.81%	749	-25.06%
Annual Wages	$47,303	6.83%	$48,117	12.93%	$19,223	-32.33%
% Total Emp.	7.54%		13.27%		1.87%	
Information						
Employment	897	7.08%	253	-17.05%	767	-19.55%
Annual Wages	$42,709	28.84%	$30,801	-9.99%	$22,152	-36.22%
% Total Emp.	1.34%		0.85%		1.91%	
Leisure & Hospitality						
Employment	5,259	6.49%	3,109	5.21%	2,823	4.11%
Annual Wages	$10,469	6.19%	$9,100	-2.41%	$9,273	-6.05%
% Total Emp.	7.83%		10.41%		7.05%	
Manufacturing						
Employment	18,589	1.58%	4,631	-21.22%	6,576	-24.89%
Annual Wages	$37,613	-0.33%	$36,695	1.14%	$47,407	6.62%
% Total Emp.	27.66%		15.50%		16.42%	
Natural Resources						
Employment	809	10.11%	570	-15.93%	515	6.78%
Annual Wages	$20,991	6.22%	$22,915	-20.16%	$33,436	3.09%
% Total Emp.	1.20%		1.91%		1.29%	
Other Services						
Employment	1,972	-5.75%	1,457	10.77%	761	-40.15%
Annual Wages	$17,073	-5.63%	$16,241	-8.87%	$12,619	-24.47%
% Total Emp.	2.93%		4.88%		1.90%	
Prof. & Bus. Services						
Employment	4,107	10.78%	1,765	20.67%	1,937	18.23%
Annual Wages	$33,661	-4.94%	$31,997	8.62%	$40,023	-8.26%
% Total Emp.	6.11%		5.91%		4.84%	
Trade, Trans., & Util.						
Employment	16,648	-4.91%	7,608	1.56%	9,783	-4.85%
Annual Wages	$28,045	5.38%	$26,121	-13.87%	$28,843	8.32%
% Total Emp.	24.77%		25.47%		24.43%	

(1) Numbers for 2005 are first three quarters only.

Note: Annual wages are in constant 2005 dollars.

Sources: WI Department of Workforce Development. *Quarterly Census of Employment & Wages, June 2005*.

WI Department of Workforce Development. *Quarterly Census of Employment & Wages, December 2005*.

Table 3: Population by age and county 1990-2020

	Wisconsin			Marathon		
	1990	**2005**	**2020**	**1990**	**2005**	**2020**
% of Age 20+ Population						
20-29	22.18%	18.68%	16.90%	20.94%	17.09%	15.89%
55-64	11.98%	14.07%	18.29%	11.87%	14.25%	18.05%
20-64	81.15%	82.20%	77.59%	81.66%	81.94%	77.29%
Population						
20-29	764,997	755,155	770,694	16,670	16,018	17,081
55-64	413,161	568,655	834,481	9,453	13,354	19,403
20-64	2,798,964	3,322,415	3,539,280	65,004	76,799	83,089
	Portage			**Wood**		
	1990	**2005**	**2020**	**1990**	**2005**	**2020**
% of Age 20+ Population						
20-29	29.26%	24.88%	21.86%	20.27%	15.84%	13.48%
55-64	10.15%	13.33%	18.28%	12.12%	14.58%	19.36%
20-64	84.42%	84.42%	77.02%	79.64%	78.56%	72.69%
Population						
20-29	12,396	12,603	12,282	10,372	8,944	8,180
55-64	4,299	6,750	10,270	6,203	8,229	11,744
20-64	35,759	42,761	43,270	40,752	44,347	44,100

Sources: WI Department of Administration. *Census 1990* . WisStat Interactive Data Source.
WI Department of Administration. *Population Projections for Wisconsin Counties by Age and Sex: 2000–2030.*

Table 4: Educational attainment of population 25+ by county 1990-2000

	Wisconsin			Marathon		
	1990	2000	Change	1990	2000	Change
Education %						
< HS Grad	21.40%	15.00%	-6.40%	24.10%	16.20%	-7.90%
HS graduate	53.70%	55.20%	1.50%	54.10%	56.30%	2.20%
Assoc. degree	7.10%	7.50%	0.40%	8.40%	9.20%	0.80%
Bach. degree	12.10%	15.30%	3.20%	9.40%	12.60%	3.20%
Grad. or prof.	5.60%	7.20%	1.60%	4.10%	5.70%	1.60%
	Portage			**Wood**		
	1990	**2000**	**Change**	**1990**	**2000**	**Change**
Education %						
< HS Grad	20.30%	13.50%	-6.80%	21.70%	15.30%	-6.40%
HS graduate	55.10%	56.10%	1.00%	56.60%	59.80%	3.20%
Assoc. degree	5.50%	7.00%	1.50%	8.20%	8.10%	-0.10%
Bach. degree	13.10%	16.10%	3.00%	8.90%	11.80%	2.90%
Grad. or prof.	6.00%	7.20%	1.20%	4.60%	5.10%	0.50%

Note: Numbers may not sum to 100% due to rounding.

Sources: WI Department of Administration. *1990 Census of Population and Housing* .

WI Department of Administration. *Wisconsin State, Counties and Municipalities Demographic Profiles 2000.*

Table 5: Top 10 projected occupations in North Central Wisconsin 2002-2012

By Openings Per Year

Occupational Title	Change Numeric	Change Percent	Annual Openings	Educ. or training	Annual Wage
Retail Salespersons	770	12.80%	300	Short-term OTJ	$22,653
Cashiers	510	10.10%	300	Short-term OTJ	$17,579
Waiters/Waitresses	440	13.50%	220	Short-term OTJ	$14,791
Truck Drivers/Heavy	1,190	22.20%	210	Mod.-term OTJ	$37,706
Registered Nurses	1,200	31.00%	200	Bach./Assoc.	$54,477
Comb Food Prep/Serv	630	20.10%	200	Short-term OTJ	$16,160
Nursing Aides/Orderlies	880	25.50%	140	Short-term OTJ	$21,938
Labrs/Frght/Matrl	20	0.50%	120	Short-term OTJ	$24,171
Sls Reps/Whlsl/Mfg/	520	21.90%	110	Mod.-term OTJ	$48,864
Office Clerks/General	170	4.80%	100	Short-term OTJ	$24,003
				Average wage:	$28,234

By Fastest Growth

Occupational Title	Change Numeric	Change Percent	Annual Openings	Educ. or training	Annual Wage
Network /Data Analysts	80	57.10%	10	Bachelor's deg.	$55,419
Medical Assts	320	51.60%	40	Mod.-term OTJ	$26,211
Computer Software	120	46.20%	10	Bachelor's deg.	$63,402
Medical Records Techs	240	46.20%	30	Associate	$26,054
Home Health Aides	290	45.30%	40	Short-term OTJ	$20,099
Dental Hygienists	120	42.90%	10	Associate	$52,474
Dental Assts	190	42.20%	30	Mod.-term OTJ	$28,508
Occupational Therapists	80	38.10%	10	Bachelor's deg.	$54,239
Physical Therapists	90	37.50%	10	Master's degree	$64,442
Heating/AC/Refrig/Instlr	90	37.50%	10	Long-term OTJ	$32,937
				Average wage:	$42,378

Losing Jobs

Occupational Title	Change Numeric	Change Percent	Annual Openings	Educ. or training	Annual Wage
Secretaries	-200	-7.40%	50	Mod.-term OTJ	$24,784
Word	-120	-42.90%	10	Mod.-term OTJ	$27,842
Stock Clerks/Order	-90	-3.60%	90	Short-term OTJ	$20,800
Paper Gds Machn	-90	-8.70%	20	Mod.-term OTJ	$36,680
Team Assemblers	-50	-1.70%	80	Mod.-term OTJ	$27,488
Helpers--Production	-50	-3.30%	40	Short-term OTJ	$27,701
Computer Oprs	-50	-23.80%	<5	Mod.-term OTJ	$32,301
Extr/Form/Op/Tnd	-40	-12.90%	10	Mod.-term OTJ	$30,941
PS Mail Sort/Proc	-30	-9.10%	10	Short-term OTJ	$39,054
Bindery Wrkrs	-30	-9.10%	10	Mod.-term OTJ	$30,272
				Average wage:	$29,786

Note: Annual wages are in constant 2005 dollars.

Source: WI Dep. of Workforce Development. *Long Term Occupational Projections, 2002-2012 North Central WI* .