

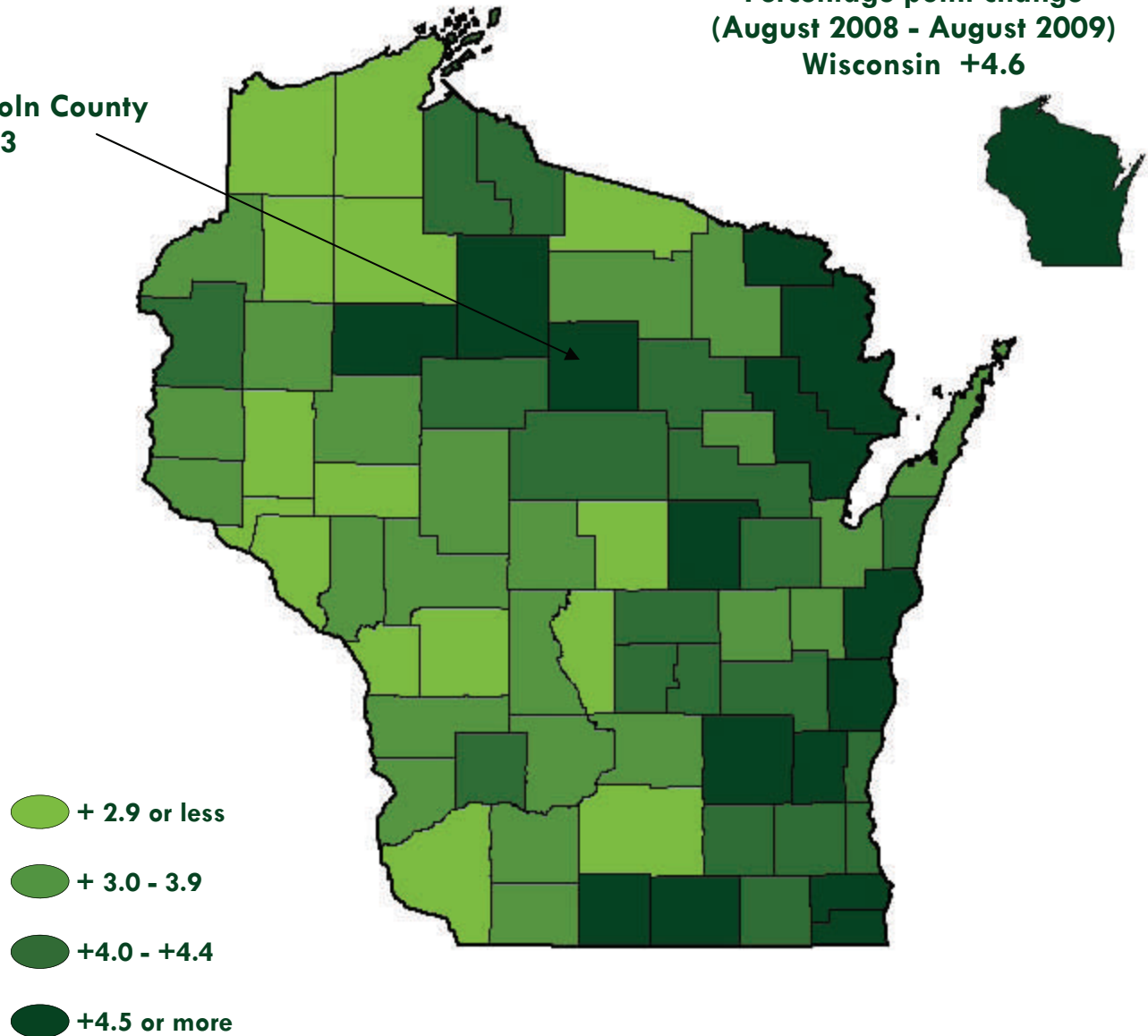
Lincoln County Workforce Profile 2009

Unemployment Rate Increases

Percentage point change
(August 2008 - August 2009)

Wisconsin +4.6

Lincoln County
+ 6.3



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.

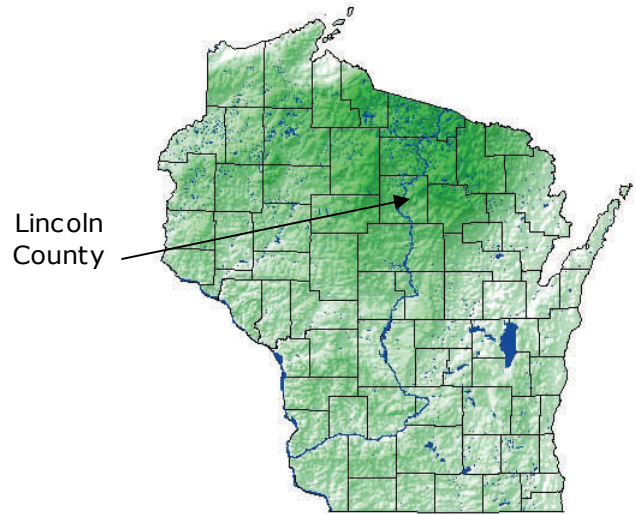
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Wisconsin Department of Workforce Development

Lincoln County 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.

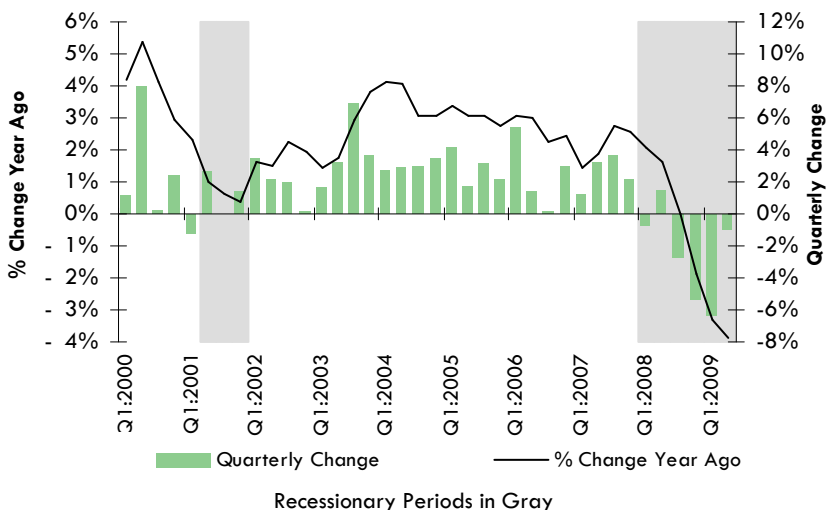
How bad was this downturn? Bad. Real GDP growth was negative for four quarters in a row. That has never happened before in quarterly data dating back to 1947. Only two quarters in the last fifty-three years suffered as

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.

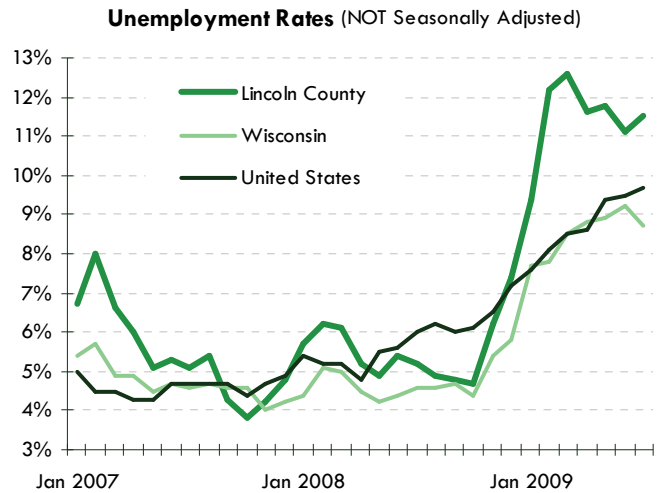
The manufacturing sector lost 13 percent of its jobs statewide during this recession, some 66,000 on a seasonally adjusted basis. All of the upper Midwest major manufacturing states took a beating in this business cycle. Especially hard hit were Michigan, Indiana, and Ohio, due to the collapse of the 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.

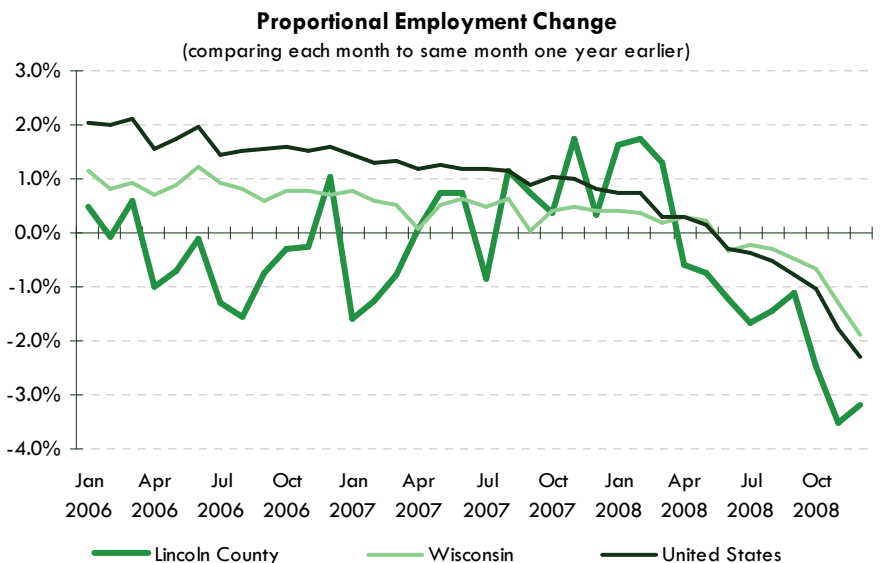
The graph below shows a comparison of county, state, and national unemployment rates through the recession.



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

Lincoln County continues to show population growth. With the addition of 1,040 new residents, the county has grown by 3.5 percent since the 2000 census. This is 2.3 percentage points less than the state and 4.5 percentage points lower than the nation. In terms of total population, Lincoln County was ranked 42nd out of the 72 counties in Wisconsin.

All but one of the most populous municipalities experienced growth, although at varying rates. The City of Merrill saw a small decrease in population of 16, or 0.2 percentage points. The Town of Bradley added both the most new residents, 174 which added 6.8 percent to the 2000 census report. The highest percent increase in population goes to the Town of Harrison, which increased population 15.4 percent by adding 122 new residents.

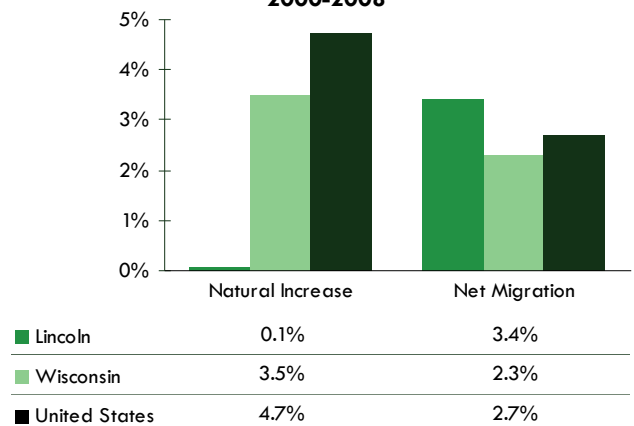
Changes in population are made up of two components. More births than deaths produces a natural increase, and more people moving into an area than moving out produces a migration increase. The combination of these two factors makes up increases or decreases in population. As shown on the chart to the right, Lincoln's natural increase was a modest 0.1 percent while migration was a much healthier 3.4 percent. Lincoln County's natural increase is much lower than either the state or nation, but the net migration is 1.1 percentage points higher than the state's rate of 2.3 percent, and is 0.7 percentage points higher than the nation's 2.7 percent. The diminished natural increase may be a reflection of the older population in the county. By 2010, the expected average age will be 41, 2.9 years older than the state average of 38.1 years.

Lincoln County's Ten Most Populous Municipalities

	April 1, 2000 Census	Jan 1, 2008 Estimate	Numeric Change	Proportional Change
United States	281,421,906	304,059,724	22,637,818	8.0%
Wisconsin	5,363,715	5,675,156	311,441	5.8%
Lincoln County	29,641	30,681	1,040	3.5%
Merrill, City	10,146	10,130	- 16	- 0.2%
Tomahawk, City	3,770	3,829	59	1.6%
Merrill, Town	2,979	3,149	170	5.7%
Bradley, Town	2,573	2,747	174	6.8%
Pine River, Town	1,877	1,983	106	5.6%
Scott, Town	1,287	1,381	94	7.3%
Schley, Town	909	967	58	6.4%
Harrison, Town	793	915	122	15.4%
King, Town	842	900	58	6.9%
Corning, Town	826	874	48	5.8%

Source: WI Dept. of Administration, Demographic Services, Population Est., July 2009

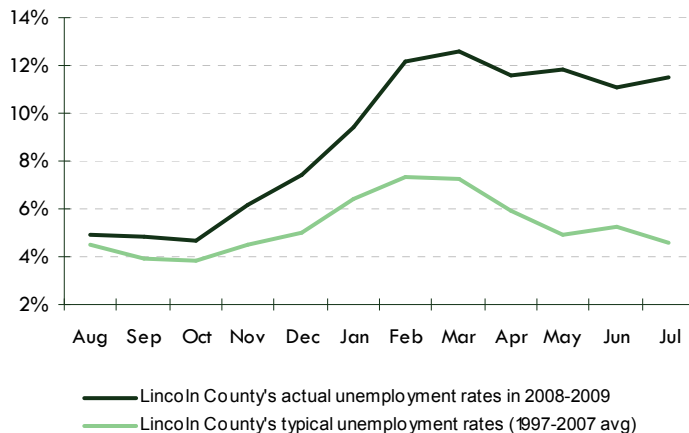
Components of Population Change, 2000-2008



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

County Unemployment Rate Situation

Lincoln County's Typical & Current Unemployment Rates



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

The graph to the left presents Lincoln County's unemployment rates from August 2008 through July 2009 and compares them to eleven-year historical averages. Like most counties in the state and nation, Lincoln's unemployment rates have climbed to levels not experienced since the early 1980s. A rise in the rates during the fourth quarter of 2008 is evident and, as seen, the rise accelerated in earnest during 2009.

Readers can take note that rates continue to follow typical seasonal patterns, albeit at higher levels.

Even if economic recovery is declared in the second half of 2009, it is likely that unemployment rates will remain quite elevated for the remainder of 2009 and into year 2010.

Jobs & Wages

Lincoln County	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	11,094	1.5%	11,369	- 0.8%	11,231	- 1.4%	11,195	- 3.1%
Natural Resources	92	31.4%	135	- 2.9%	124	- 0.8%	151	2.7%
Construction	364	1.7%	417	- 7.9%	486	- 5.8%	422	- 13.5%
Manufacturing	3,310	0.7%	3,297	- 1.1%	3,240	- 3.5%	3,264	- 4.8%
Trade, Transport. & Utilities	2,076	2.7%	2,167	3.0%	2,135	1.3%	2,146	- 0.6%
Information	102	- 1.9%	102	1.0%	103	0.0%	99	not avail.
Financial Activities	934	6.5%	941	3.9%	963	1.4%	933	- 2.2%
Prof. & Business Services	344	5.5%	351	- 4.4%	356	- 5.8%	325	- 11.9%
Education & Health	1,699	- 1.7%	1,700	- 4.2%	1,486	- 1.8%	1,694	- 0.9%
Leisure & Hospitality	916	1.9%	979	- 1.7%	1,058	- 0.9%	897	- 1.5%
Other Services	291	- 3.0%	298	- 4.5%	298	2.1%	296	- 4.5%
Public Administration	966	1.4%	983	0.2%	982	0.0%	968	0.1%

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

The table, above, is a quarter-by-quarter analysis of Lincoln County's 2008 job market by industry sector and its rate of job growth compared to the same quarter in year 2007. The intent of this annual comparison is to show how Lincoln County's job market changed in 2008.

The first quarter of 2008 was the only quarter in Lincoln County to post annual overall job growth, with each subsequent quarter posting a growing loss of jobs. The fourth quarter showed the greatest proportional loss with a decline of 3.1 percent. Manufacturing, the industry with the largest number of employees, experienced increased employment in the first quarter followed by decreases in following three quarters.

Trade, transport and utilities, the second largest industry, fared a little better; the only decrease in employment came in the fourth quarter.

Education and health, the third largest employment group, experienced decreases in employment for all four quarters when compared to 2007, which is different from surrounding counties. Overall, as 2008 went on, more and more industries saw less employment than in the previous year.

Most wages in-

creased in 2008, except for a decrease of 1.2 percent in construction wages and a decrease of 0.1 percent in leisure and hospitality wages. The state witnessed increased wages in all industries.

Wages are generally lower in Lincoln County than in the state. Only average annual wages in natural resource employment exceeded the state mean, paying a county average of \$31,407 annually—100.6 percent of the state mean.

Overall wages increased by 2.1 percent, less than one percentage point lower than the state annual average wage increase of 2.9 percent.

Lincoln County	Lincoln County Annual Average Wage			Wisconsin Annual Average Wage	
	2008 level	2007-2008 change	As a share of Wisconsin	2008 Level	2007-2008 change
All industries	\$32,439	2.1%	82.8%	\$39,169	2.9%
Natural Resources	\$31,407	6.2%	100.6%	\$31,227	6.8%
Construction	\$37,778	- 1.2%	76.1%	\$49,658	4.6%
Manufacturing	\$40,690	0.3%	84.6%	\$48,116	2.1%
Trade, Transport. & Utilities	\$25,264	3.5%	75.2%	\$33,604	2.6%
Information	\$25,185	not avail.	50.5%	\$49,838	2.8%
Financial Activities	\$40,554	3.4%	78.0%	\$52,008	2.5%
Prof. & Business Services	\$28,941	1.3%	64.2%	\$45,114	1.8%
Education & Health	\$33,905	4.4%	82.2%	\$41,222	4.1%
Leisure & Hospitality	\$8,670	- 0.1%	61.5%	\$14,102	3.8%
Other Services	\$16,816	12.7%	74.3%	\$22,628	2.5%
Public Administration	\$38,037	4.4%	92.7%	\$41,040	2.9%

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



Jobs & Wages

Prominent Industries in Lincoln County

Industry Sub-sectors (3-digit NAICS)	Fourth Quarter Employment			Average Annual Wage		
	2008 Level Lincoln County	Change 2007- 2008 Lincoln County	Change 2007- 2008 Wisconsin	2008 Wage Lincoln County	Change 2007- 2008 Lincoln County	Change 2007- 2008 Wisconsin
Fabricated metal product manufacturing	904	3.4%	- 2.8%	\$37,523	1.5%	4.2%
Wood product manufacturing	831	- 19.3%	- 15.4%	\$29,623	- 2.9%	1.2%
Education services	804	1.3%	1.8%	\$34,068	3.8%	4.0%
Food services & drinking places	716	0.3%	- 2.2%	\$8,301	1.0%	2.1%
Insurance carriers & related activities	687	not avail.	- 0.5%	\$44,990	2.3%	3.0%
Executive legislative & general government	591	1.0%	0.5%	\$30,261	1.9%	1.8%
Paper manufacturing	*	not avail.	- 2.8%	*	not avail.	1.6%
Food & beverage stores	407	0.2%	- 4.0%	\$14,812	9.1%	2.1%
Transportation equipment manufacturing	*	not avail.	- 9.9%	*	not avail.	- 0.5%
Hospitals	*	not avail.	2.2%	*	not avail.	4.2%

* Data suppressed to protect employer confidentiality.

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

This section is a specific look at the industries and employers with the largest number of jobs in Lincoln County in fourth quarter of 2008. Above are the top ten industries. The annual growth rate of jobs in each industry is compared to the growth rate of jobs in its respective industry statewide.

Of the sub-sectors with available data, only one, wood product manufacturing, had a decrease in employment from the fourth quarter of 2007 to the fourth quarter of 2008. This is different from most Wisconsin counties and for the state as well. As shown above, statewide, all but three industries lost employment from 2007 to 2008.

Lincoln County is not as dependent on the tourism industry as some other counties in the area, and so, the economic downturn has not affected Lincoln County as much as it has those others. Instead, Lincoln County has a less homogeneous mix of industries so when there is a downturn in one sector, the entire county is not as affected.

The industry represented by the most sub-sectors is manufacturing. Fabricated metal products, wood products, paper manufacturing and transportation equipment manufacturing are all under the manufacturing heading. It is not, therefore, too surprising that five of the 10 prominent employers in the county are involved in manufacturing. Packaging Corp of America, Harley-Davidson Motorcycle, Semling Menke, Lincoln Wood Products, and Hurd Windows and Doors are all in Lincoln County. Three of these employers are in window and door manufacturing, which saw the one decrease in employment from 2007 to 2008. Because of the importance of this sub-sector to the county and the loss of about 200 jobs, continued downturns in this industry could have a significant impact on Lincoln County.

Educational services, the third largest employment sub-sector, is represented by two prominent employers. Both the Merrill Public School with employment from 500 to 999 and the School District of Tomahawk with 100 to 249

employees, are among the top ten prominent employers in the county.

Fabricated metal products, the largest employment sub-sector does not have one prominent employer. This sub-sector is represented by a number of smaller firms.

Prominent Public and Private Employers in Lincoln County

Establishment	Service or product	Number of Employees (December 2008)
Church Mutual Insurance	Direct property & casualty insurers	500-999 employees
Merrill Public School	Elementary & secondary schools	500-999 employees
County of Lincoln	Executive & legislative offices, combined	250-499 employees
Packaging Corp of America	Paper, except newsprint, mills	250-499 employees
Harley-Davidson Motorcycle	Motorcycle, bicycle, & parts manufacturing	250-499 employees
Semling Menke	Wood window & door manufacturing	250-499 employees
School District of Tomahawk	Elementary & secondary schools	100-249 employees
Lincoln Wood Products	Wood window & door manufacturing	100-249 employees
Good Samaritan Health Center	General medical & surgical hospitals	100-249 employees
Hurd Windows & Doors	Wood window & door manufacturing	100-249 employees

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

Income

Total Personal income (TPI) is composed of all monies accrued in three distinct categories: (1) net employment earnings, which is payroll and self-employment income; (2) dividends, interest, and rental property income, which are returns on equities and other portfolio items, interest-bearing accounts, rental housing/business units; and (3) personal current transfer receipts, which are Social Security, Medicare/Medicaid, public assistance and other government or private retirement monies.

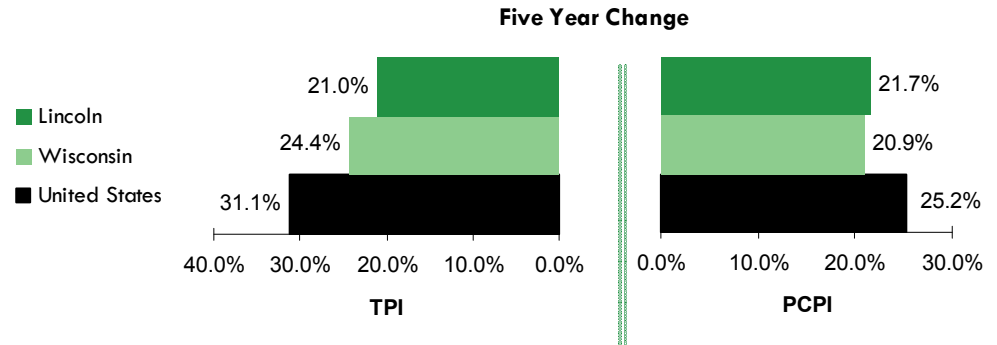
Lincoln County's TPI increased to about \$876 million in 2007, a 21 percent growth in five years, which was 3.4 percentage points lower than the state, and which ranked Lincoln's growth rate 41st among the state's 72 counties. Per capita personal income (PCPI) is the result of dividing an area's total personal income (TPI) by its total population. The dynamics of the three components of TPI impact total personal income, and TPI and population are essential in shaping an area's PCPI. Thus, PCPI can be affected by the county residents' demographics. Lincoln County's population is older than the state average which is reflected in the higher percent of income from transfer payments (20 percent in the county compared to 14 percent for the state), and the lower percent from earnings (65 percent for the county and 69 percent for the state). The dividend income percent was lower than the state rate which could again reflect the older population.

Even with the increase in PCPI, Lincoln County's PCPI of \$29,563 was 82 percent of the statewide average and 77 percent of the national average. Lincoln County's lower than state or national average PCPI is at least partly attributable to its higher than average proportion of residents whose primary source of income is current transfer payments. The increases of transfer payment recipients abetted slow growth in Lincoln's PCPI over the five-year period, since transfer payments tended to be lower than wages and year-to-year increases in transfer payments were smaller than wage increases.

PCPI in Wisconsin's metropolitan counties in 2007 was \$38,382 compared to \$30,627 in nonmetropolitan counties. Lincoln County's PCPI was 97 percent of the average nonmetropolitan PCPI in Wisconsin.

The bottom chart shows that in 2007 residents working in jobs outside the county added \$174 million to Lincoln County's total personal income, while non-resident

Personal Income in Lincoln County				
	Total Personal Income (in thousands)		Per Capita Personal Income (PCPI)	
	2002	2007	2002	2007
Lincoln	\$723,848	\$875,630	\$24,299	\$29,563
Wisconsin	\$163,308,733	\$203,083,544	\$29,994	\$36,272
United States	\$8,872,871,000	\$11,634,322,000	\$30,838	\$38,615

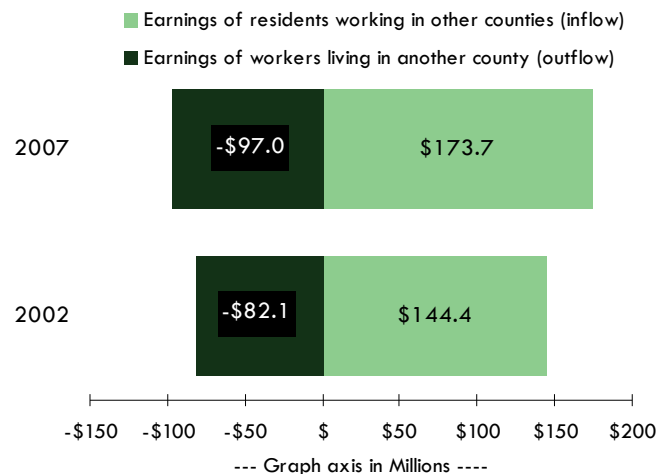


Source: US Dept. of Commerce, Bureau of Economic Analysis, April 2008

workers were paid \$97 million in wages that left the county. The total residency adjustment netted an increase of \$76.7 million in the county's total earnings. Commuting patterns from Census 2000 show that Marathon and Oneida counties supply the most workers to Lincoln County. However, even a larger number of county residents come from Lincoln to work in Marathon and Oneida counties. Over all, there are about 1,800 more workers leaving the county to work than coming into the county for employment.

This transfer of wages between Lincoln and other counties has grown over time. In 2002, there were \$62.3 million additional earnings coming into the county. By 2007, that amount was \$76.7 million.

Lincoln County Commuting Impact



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