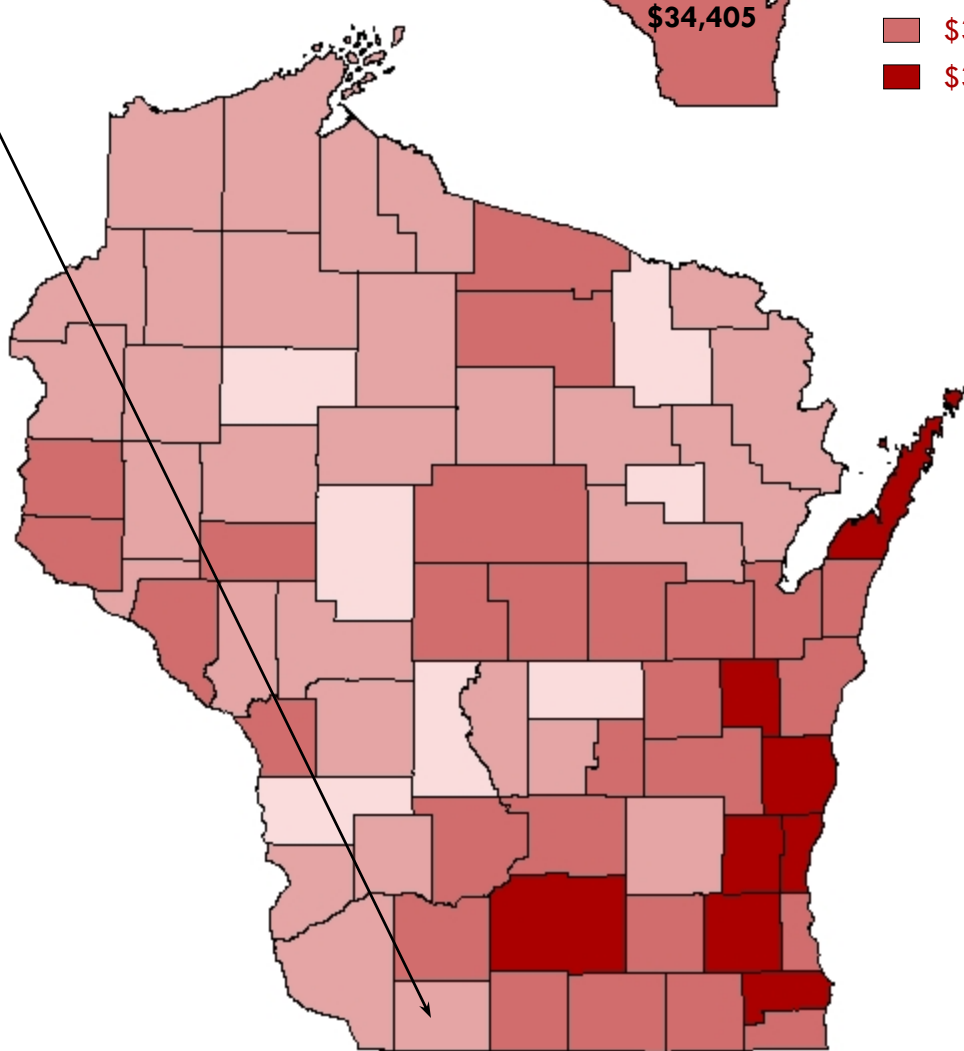


Lafayette County Workforce Profile

Per Capita Personal Income in 2006

Lafayette County
\$25,169



2008

Office of Economic Advisors

Wisconsin Department of Workforce Development
OEA-10625-P

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Population

This profile begins with a discussion of population trends that affect demand for goods and services as well as the supply of labor to produce goods and services. Lafayette County's population grew by 180 people or 1.1 percent between the April 2000 Census and the January 2007 estimate. This is slower than the statewide growth rate (5.3%) and the national growth rate (6.9%). The county experienced approximately 383 more births than deaths between 2000 and 2007. However, over half of this natural change (births minus deaths) is counteracted by net out migration (roughly 203 more people moved out of the county during that time period than moved in to Lafayette County during this time period).

The towns of Darlington, Willow Springs and Belmont together gained 182 people, or more than the Lafayette County's net population gain (180 people). Meanwhile, the cities of Shullsburg and Darlington and the Town of Gratiot saw population declines totaling about 100 people. In the case of Darlington, the city lost population while the town gained population, so some of the change could be a shift from one to the other. In contrast, the Town of Shullsburg and town and the Village of Gratiot faced population declines. The municipalities with the largest population declines are in the south central part of the county.

Over time, ranks and growth rates of individual municipalities will vary. One long-term population trend that seems nearly inevitable is the demographic shift outlined

Lafayette County's Ten Most Populous Municipalities

	April 2000 Census	Jan.1, 2007 Estimate	Numeric Change	Percent Change
United States	281,421,906	300,888,812	19,466,906	6.9%
Wisconsin	5,363,715	5,647,000	283,285	5.3%
Lafayette County	16,137	16,317	180	1.1%
Darlington, City	2,418	2,384	-34	-1.4%
Shullsburg, City	1,246	1,200	-46	-3.7%
Benton, Village	976	994	18	1.8%
Wiota, Town	900	906	6	0.7%
Belmont, Village	871	900	29	3.3%
Darlington, Town	757	820	63	8.3%
Argyle, Village	823	813	-10	-1.2%
Belmont, Town	676	734	58	8.6%
Willow Springs, Town	632	693	61	9.7%
Blanchardville, Village*	660	647	-13	-2.0%

* Lafayette County portion only

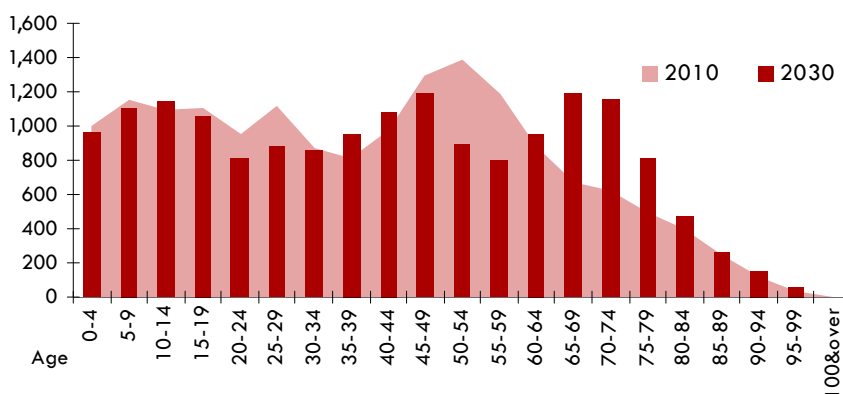
Source: WI Dept. of Administration, Demographic Services, Population Est., July 2008

in the graph in the lower left corner of this page. The baby boom generation that once swelled the working-age cohorts will eventually reach age cohorts historically associated with retirement.

Wisconsin Department of Administration population projections suggest that Lafayette County's population will climb from 16,419 people in 2010 to 16,752 people in 2030. Specifically, the population between the ages of 45 and 59 will shrink from 3,860 people (or 23.5% of the total population) in 2010 to 2,881 people (or 17.2 % of the total population) in 2030. Meanwhile, the population between the ages of 65 and 79 years old will grow from 1,777 people (or 10.8 % of the total population) in 2005 to 3,152 people (or 18.8% of the total population) in 2030. Page three includes text and figures suggesting that residents aged 45 to 59 years are much more likely to participate in the labor force than residents aged 65 to 79 years. These trends result in a projected decline in Lafayette County's labor force.

In addition to affecting the supply of labor, demographic shifts could affect demand for goods and services. Demand for health services will probably grow. Demand for single-family housing may not grow as fast as demand for nursing homes, assisted living facilities, or other options popular among seniors. These trends could sharply increase the supply of available single-family housing; demand trends are unclear.

Population by Age Cohorts in Lafayette County



In 2010, the average Lafayette County resident will be 39.2 years old.
 In 2020, the average Lafayette County resident will be 40.6 years old.
 In 2030, the average Lafayette County resident will be 42 years old.

Source: WI Dept. of Administration, Demographic Services, & WI DWD, OEA

Population & Labor Force

Population Projections for Lafayette County						
Age Group:	0-15	16-34	35-54	55+	Labor-Force-Aged Population	Total Population
Years	Population					
2010	3,473	3,831	4,456	4,659	12,946	16,419
2020	3,479	3,583	3,841	5,755	13,179	16,658
2030	3,410	3,393	4,108	5,841	13,342	16,752
Distribution of Labor-Force-Aged Population						
2010		29.6%	34.4%	36.0%	100.0%	
2020		27.2%	29.1%	43.7%	100.0%	
2030		25.4%	30.8%	43.8%	100.0%	

Source: WI Dept. of Administration, Demographic Services

The table above indicates that Lafayette County's population is projected to grow 2.0 percent (from 16,419 to 16,752) between 2010 and 2030. Meanwhile, the labor-force-aged population (residents 16 or more years old) is projected to grow 3.1 percent (from 12,946 to 13,342). Page three will show that some labor-force-aged residents (especially those 55 or more years old) are not likely to be in the labor force. The lower portion of the table above projects that residents under 35 years old make will make up 29.6 percent of the labor-force-aged population in 2010 and that this share will shrink to 25.4 percent in 2030. Similarly, residents between the ages of 35 and 54 will see their share of the labor-force-aged population shrink from 34.4 percent in 2010 to 30.8 percent in 2030.

The remaining segment of the labor-force-aged population – Lafayette County residents 55 or more years old – is projected to grow in share from 36.0 percent of the labor-force-aged population in 2010 to 43.8 percent in 2030. On one hand, some baby boomers will work later in life than previous generations of 55-and-older residents have worked. On the other hand, this effect will be massively overshadowed by the fact that residents over 55 years old have historically left the labor force in substantial numbers between the ages of 55 and 60 and even more quickly thereafter. Page three discusses this further.

The line graph to the right illustrates one result of this. While total population numbers increase, the labor force (those working or looking for work) shrink. Many baby boomers will leave the local labor force at a time when baby boomers (as a group) increase demand for labor-intensive services (like health care and home maintenance).

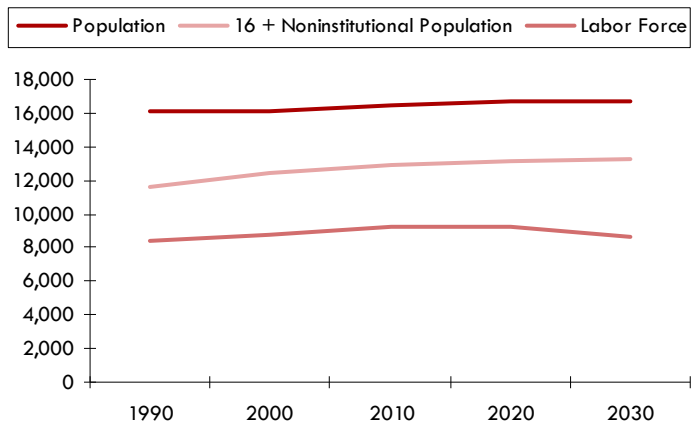
Another result of this demographic shift may be employers competing more intensely for workers 55 or more years old. These workers possess experience and exper-

tise that can be hard to replace. Baby boomers who do continue to work will often change occupations or work fewer hours due to personal interests, health concerns, or family needs. Some employers will benefit tremendously from far-sighted recruitment and retention efforts.

If Lafayette County employers struggle to find workers, some may recruit workers with more appealing compensation or work environments. Meanwhile, some

employers may resort to outsourcing, off-shoring, importing goods or labor, automating, changing locations, or going out of business. Demographic changes cannot be stopped, but their consequences can be shaped for the better with sound workforce planning.

Lafayette County Historic and Projected Population and Labor Force



Source: WI DWD, OEA

Labor Force Projections for Lafayette County				
Age Group:	16-34	35-54	55+	Total Labor Force
Years	Labor Force			
2010	3,038	4,025	2,218	9,282
2020	2,783	3,489	2,931	9,203
2030	2,648	3,719	2,248	8,615
Distribution of Labor Force				
2010	32.7%	43.4%	23.9%	
2020	30.2%	37.9%	31.9%	
2030	30.7%	43.2%	26.1%	

Source: WI DWD, OEA

Labor Force

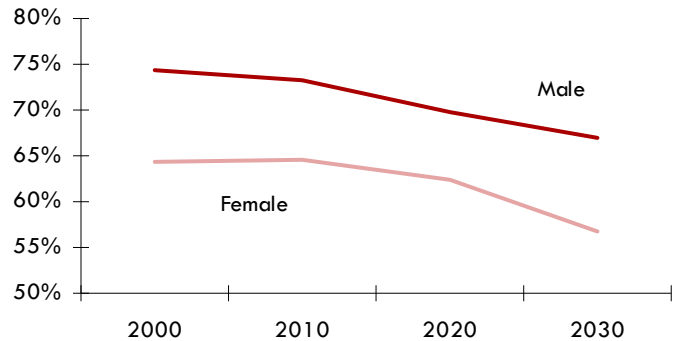
Advocates for workers 55 and over hasten to remind us that, with each passing decade, the economy places more value on the problem-solving, leadership, and innovation skills that baby boomers have developed. The relative importance of physical limitations has fallen because there is more demand for non-physical work and there are more ways to accommodate or overcome physical limitations.

Nonetheless, the figures in the first three pages of this profile suggest that recent decades' growth in labor force participation will be reversed. To participate in the labor force is simply to work or to look for work. The labor force participation rate is the share of the eligible population that works or looks for work. Ineligible people who do not affect the participation rate are people under 16, people engaged in active military service, and people in institutions like correctional or nursing facilities.

In the 1970s, 1980s, and 1990s, many women joined the labor force for the first time. Female labor force participation rates surged from a fraction of male rates to levels much closer to male rates. The graph to the upper right suggests that labor force growth in the next 30 years cannot rely on rising LFPR the way it did over the previous 30 years.

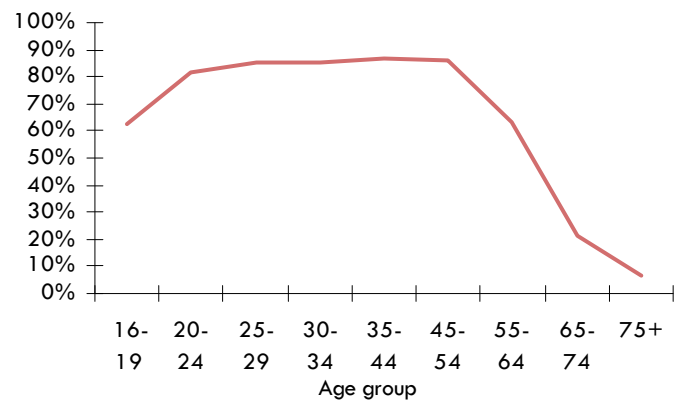
There are three substantial reasons why female labor force participation rates will probably continue to be slightly lower than male rates. First, women enjoy longer life expectancies than men. Those additional years are in a time of life when labor force participation rates tend to be at their lowest. Second, male rates are higher by wider margins during child-bearing years (say, ages 25-44). Lafayette County's male-versus-female LFPR gap is anomalously large in the 16- to 19-year-old cohort, but female LFPR often matches or exceeds male LFPR in the 20- to 24-year-old cohort and the 55- to 64-year-old cohort. This suggests that decisions made around the time children are often born and raised are primary reasons for overall female labor force participation being lower than male labor force participation. Third, females are more likely than males to enroll in secondary and post-

Labor Force Participation Rates by Sex: 2000-2030



Source: WI DWD, OEA

Labor Force Participation Rates by Age in 2000



Source: Census 2000, SF-3

secondary education. People are more likely to work or look for work when they finish school. Available data does not suggest that females' life expectancy, fertility rates, or school enrollment will decline, nor does available data suggest that such declines would boost the economy.

The lower of the two graphs above shows how dramatically the LFPR falls as age increases past 54 years old. Baby boomers may participate at higher rates than generations before them, but they would have to depart radically from conventional notions of retirement in order to prevent the labor force from shrinking.

Barring substantial reductions in Social Security and Medicare benefits, this seems unlikely. Many of the most qualified, sought-after workers have significant resources set aside for their later years, so it may take more than a job offer to keep them in the labor force.

Lafayette County Civilian Labor Force Data

	2003	2004	2005	2006	2007
Labor Force	9,372	8,978	8,977	9,193	9,398
Employed	8,897	8,581	8,604	8,816	9,007
Unemployed	475	397	373	377	391
Unemployment Rate	5.1%	4.4%	4.2%	4.1%	4.2%

Source: WI DWD, Bur. of Workforce Training, Local Area Unemployment Statistics, 2008

Jobs & Wages

Few factors influence a local economy more than the number of jobs in the area and the average wage of those jobs. Payroll reports show that in 2007, Lafayette County's trade, transportation, and utilities sector generates more employment (962 jobs) and more payroll (nearly \$24.3 million) than any other sector. The sector pays an average of \$25,217, with higher wages in segments like wholesale trade

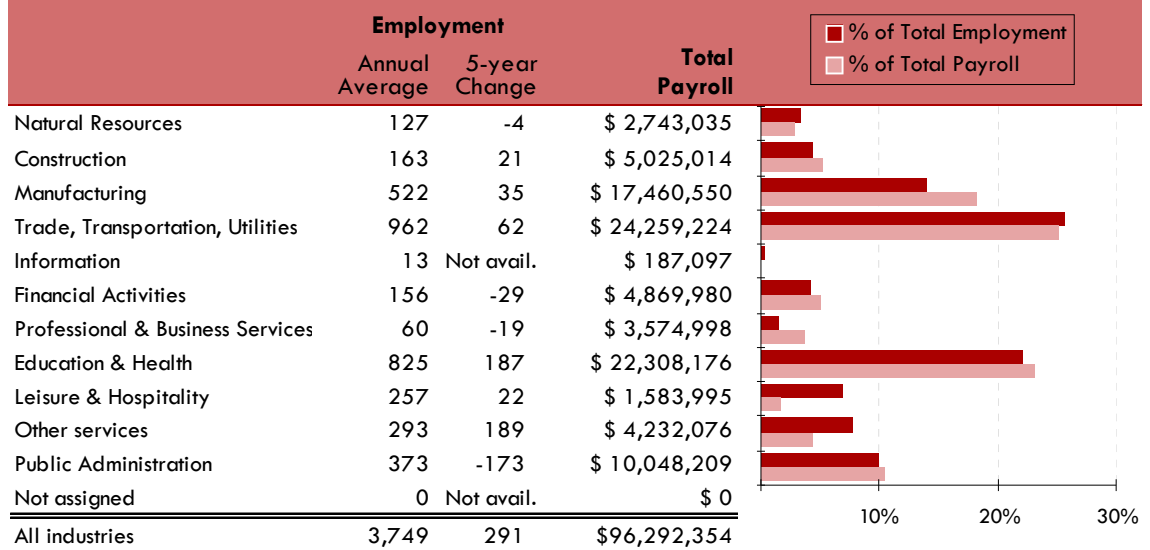
(\$35,083) and transportation and warehousing (\$62,402). The utilities segment usually provides a small number of higher-wage jobs. The retail trade segment usually provides a large number of lower-wage jobs, and pulls down the sector's overall average wage.

The education and health sector provides the next-largest number of jobs in Lafayette County. Of the sector's 825 jobs, 461 were in the educational services segment. Despite appearing in page five's prominent indus-

try list, this segment's employment fell 5.1 percent between 2002 and 2007. Over that time, Wisconsin's average educational services wage increased 15 percent, to reach \$39,753, while Lafayette County's average educational services wage increased less than 11 percent, to \$30,560. Within education and health, wages tend to be highest in hospitals and clinics near population centers. Between 2003 and 2007, the nursing and residential care segment began to report about 100 jobs previously reported elsewhere and the segment's average wage rose from \$12,017 to \$24,216.

From 2002 to 2007, the manufacturing sector gained jobs in Lafayette County (+7.2%) and lost jobs in Wisconsin (-5.1%). Meanwhile, the average manufacturing wage increased 36.3 percent locally and 16.1 percent statewide. Many of Lafayette County's manufacturing workers will retire in the next ten years. If manufacturing employers scale back job numbers, no other sector shows signs of adding such large numbers of jobs at such high average wages.

2007 Employment and Wage Distribution by Industry in Lafayette County



Source: WI DWD, Bureau of Workforce Training, Quarterly Census Employment and Wages, June 2008

Average Annual Wage by Industry Division in 2007

	Average Annual Wage		Lafayette County as a Share of Wisconsin	Lafayette County 5-year % Change	Wisconsin 5-year % Change
	Lafayette County	Wisconsin			
All industries	\$25,685	\$38,070	67.5%	12.1%	17.4%
Natural Resources	\$21,599	\$29,235	73.9%	-16.9%	14.7%
Construction	\$30,828	\$47,489	64.9%	13.2%	19.8%
Manufacturing	\$33,449	\$47,106	71.0%	36.3%	16.1%
Trade, Transportation & Utilities	\$25,217	\$32,762	77.0%	16.5%	15.3%
Information	\$14,392	\$48,483	29.7%	Not avail.	24.7%
Financial Activities	\$31,218	\$50,749	61.5%	11.0%	25.8%
Professional & Business Services	\$59,583	\$44,328	134.4%	75.9%	22.0%
Education & Health	\$27,040	\$39,606	68.3%	11.1%	17.3%
Leisure & Hospitality	\$6,163	\$13,589	45.4%	-1.5%	14.8%
Other Services	\$14,444	\$22,073	65.4%	-38.2%	13.2%
Public Administration	\$26,939	\$39,879	67.6%	13.1%	18.1%

Source: WI DWD, Workforce Training, QCEW, June 2008

Jobs & Wages

Prominent Industries in Lafayette County							
Industry Sub-sectors (3-digit NAICS)	Average Employment			Average Wages			
	2007 Avg.	5-year Percent Change		2007 Average		5-year Percent Change	
	Lafayette County	Lafayette County	Wisconsin	Lafayette County	Wisconsin	Lafayette County	Wisconsin
Educational services	461	-5.1%	2.0%	\$ 30,560	\$ 39,753	10.9%	15.0%
Executive, legislative, & gen government	334	-34.3%	-4.7%	\$ 25,499	\$ 36,340	10.0%	16.4%
Food manufacturing	*	not avail.	-6.7%	*	\$ 38,239	not avail.	13.2%
Merchant wholesalers, nondurable goods	194	-2.5%	4.7%	\$ 27,262	\$ 46,622	18.8%	15.5%
Food services & drinking places	*	not avail.	9.1%	*	\$ 10,859	not avail.	14.5%
Gasoline stations	162	42.1%	0.9%	\$ 9,515	\$ 14,803	-10.7%	7.1%
Truck transportation	150	-5.7%	7.1%	\$ 27,495	\$ 41,316	15.0%	14.6%
Credit intermediation & related activity	143	24.3%	6.0%	\$ 30,890	\$ 42,493	-8.3%	19.7%
Merchant wholesalers, durable goods	135	not avail.	6.8%	\$ 46,425	\$ 52,130	not avail.	15.4%
Nursing & residential care facilities	131	not avail.	3.6%	\$ 24,216	\$ 23,295	not avail.	12.0%

Note: * data suppressed for confidentiality and not available for calculations

Source: WI DWD, Bureau of Workforce Training, QCEW, OEA special request, June 2008

When reviewing the above list of Lafayette County's prominent sub-sectors, it is important to consider the impact of public funding in conjunction with demographic shifts discussed earlier. Most readers quickly see how public funding relates to sub-sectors like educational services and executive, legislative, and general government. Though less obvious, it is no less important to consider how nursing and residential care facilities rely on payments from programs like Medicare, Medicaid, Social Security, and Wisconsin counterparts. Today, many baby boomers are near the peak of their income-tax-paying curves. As they shift from prime tax-payers to the largest group of benefits-eligible residents ever seen, public budgets could face increasing strain at the local, state and federal levels. In recent years, many Wisconsin school districts have

faced increasing pressure to keep property taxes from rising. Between 2002 and 2007 educational services employment shrank by 5 percent in Lafayette County and grew 2 percent statewide. Local educational services wages were further below the statewide average in 2007 than in 2002. In the healthcare arena, it is not clear how the desire for low taxes will match up with the demand for publicly-funded services. These dynamics could dramatically affect prominent local industries listed above and prominent local employers listed below.

Lafayette County's agricultural history contributes to its expertise in food manufacturing (see table above) and particularly in cheese manufacturing (see table below). Also, the need to move agricultural goods and manufactured goods to market probably contributed to the development of the

Prominent Public and Private Sector Employers in Lafayette County		
Establishment	Service or Product	Number of Employees (March 2007)
County of Lafayette	Executive & legislative offices, combined	250-499 employees
Darlington Community School District	Elementary & secondary schools	100-249 employees
School District of Black Hawk	Elementary & secondary schools	100-249 employees
Lactalis USA Belmont Inc	Cheese manufacturing	100-249 employees
Mexican Cheese Producers, Inc.	Cheese manufacturing	50-99 employees
Merkle-Korff Industries Inc	Motor & generator manufacturing	50-99 employees
Truck Country of Iowa Inc	Motor vehicle merchant wholesalers	50-99 employees
School District of Argyle	Elementary & secondary schools	50-99 employees
Shullsburg Public School	Elementary & secondary schools	50-99 employees
Benton Public School	Elementary & secondary schools	50-99 employees

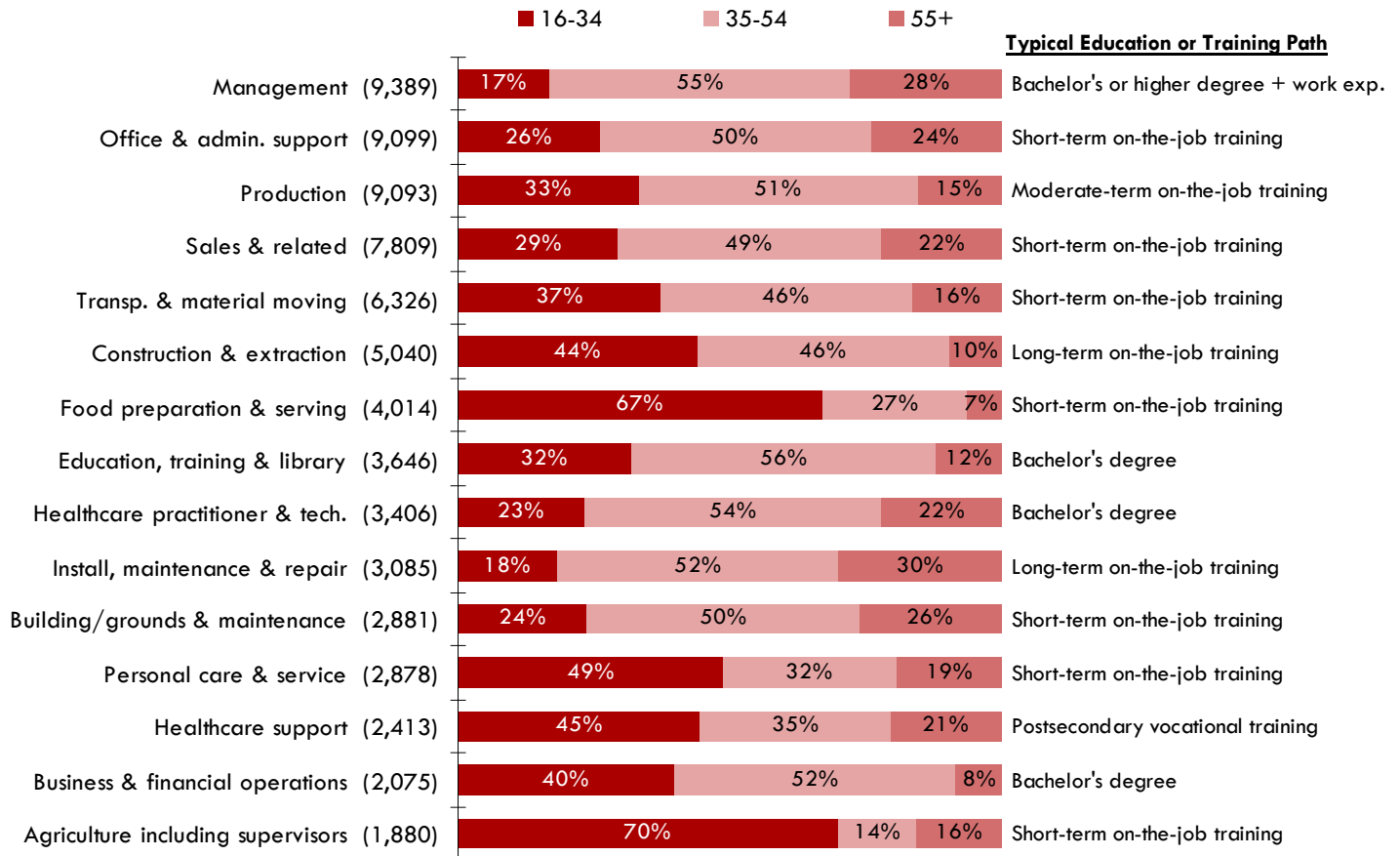
Source: WI DWD, Bureau of Workforce Training, QCEW, OEA special request, April 2008

truck transportation sub-sector (see table above) and the demand for freightliner sales and services (see table to left). Workers who have operated and maintained farming equipment may have good skills for manufacturing motors and generators.

Occupations & Typical Education or Training

Age Distribution of Workers in Selected Occupational Groups

Data includes residents of Grant, Green, Iowa, Lafayette, and Richland counties.



Note: Occupation groups are in descending order based on the number of workers in each group.
Source: 2006 U.S. Census, ACS PUMS & WIDWD, OEA

It is important to note that pages four and five focus on the industries that employers belong to while this section focuses on the occupational groups that workers belong to. Sometimes, the worker's job duties can be more informative than the nature of the employer's business. The chart above first lists the occupational groups with the greatest numbers of workers in the area that includes Grant, Green, Iowa, Lafayette, and Richland counties. The actual employment numbers appear in parenthesis. The bar graph shows each occupational group's age distribution.

The youngest age cohort, residents between the ages of 16 and 34, reflects people in their early working years and captures rather large shares of jobs in food preparation and serving occupations and agriculture occupations. Physical demands, seasonality, and wage progression can

contribute to turnover in these occupational groups. Because jobs in these occupational groups typically require less-advanced education and training, they may be good fits for some newer workers.

The oldest cohort identified, residents 55 or more years old, includes many people approaching retirement. About 28 percent of area residents in management occupations and 30 percent of area residents in installation, maintenance, and repair occupations are 55 or more years old. Jobs in installation, maintenance, and repair occupations typically require long-term on-the-job training (over 12 months). Jobs in management occupations typically require a bachelor's or higher degree and work experience. New workers cannot simply step out of high school and into these jobs. It may prove wise to begin grooming, recruiting, and succession planning sooner rather than later.

Occupations & Typical Education or Training

At first glance, workers 55 or more years old might seem to be a small share of production workers (15%) or construction and extraction workers (10%). Because of the physical demands they face and the pensions they enjoy, workers in these fields often retire well before otherwise-typical ages. It is possible that improved technology and implementation will ease many physical demands of some of these jobs. Production jobs, in particular have become less physical and more technically challenging in recent years. Over the long term, the trend for production in the United States is to use ever fewer people to generate ever more output, so it is unclear to what extent advances in equipment, processes, and product lines will mitigate demand for replacement workers.

In this region (Grant, Green, Iowa, Lafayette and Richland counties), farmers and ranchers make up almost half of the management workers. Half the region's farmers and ranchers are fifty or more years old and over seventy percent are over 40. This might affect the management occupations' age distribution even more than the typical experience requirement does.

Also interesting is the relative scarcity of 16- to 34-year-olds in healthcare practitioner and technical occupa-

tions (23%), installation, maintenance, and repair occupations (18%) and building and grounds cleaning and maintenance occupations (24%). Many registered nurses have Bachelor's degrees, but many jobs in these three occupational groups require moderate education or training, so recent high school graduates and people seeking career changes could get into these occupational groups relatively quickly. As the local population ages, demand for healthcare services will grow. For the sake of argument, suppose that older residents require more assistance maintaining their single-family homes or suppose that many older residents move into senior-living apartments, assisted living facilities, and nursing homes. If either of these things occurs, then these residents could increase demand for installation, maintenance, and repair workers as well as building and grounds cleaning and maintenance workers.

Keeping this dynamic in mind, it is particularly noteworthy that the workers 55 or more years old constitute 29 percent of healthcare support workers and 37 percent of personal care and personal service workers. Substantial numbers of workers in these fields are likely to leave the labor force as demand grows faster and faster.

Income

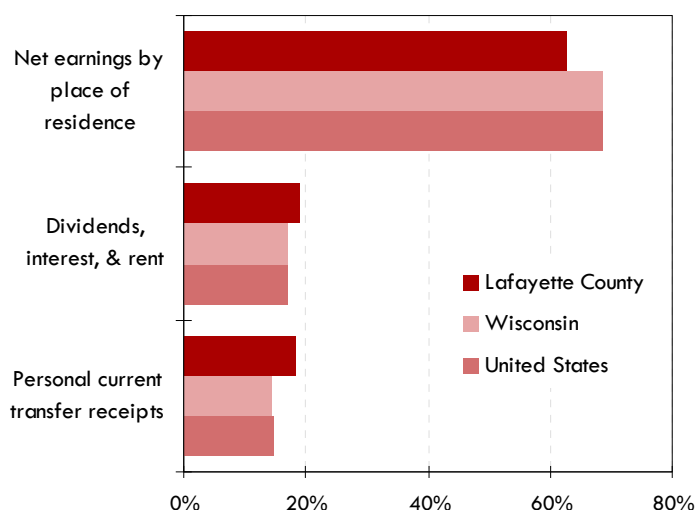
Pages four and five analyze payroll employment and wage data that employers report to Wisconsin's Unemployment Insurance system. Pages seven and eight analyze income data from federal tax records; this includes non-payroll income sources such as proprietors' income, investment income, and government transfers.

The first category of income that this profile will discuss is net earnings by place of residence. These earnings are typically associated with current vocations which may include a payroll job, self-employment, or business proprietorship. Without net earnings, most people would have difficulty buying assets that would generate dividends, interest, or rent and most people would have difficulty paying taxes that make government transfers possible. Many readers will consider net earnings the driving force that sets the stage for long-term income trends.

Whether we focus on the nation, the state or Lafayette County, the graph to the right shows that net earnings is the largest share of total income. While this will probably always be true, the balance will shift. Pages one through three discuss baby-boomers' move from prime income-earning years to age in which they are eligible for gov-

ernment transfers like Social Security and Medicare. This means that net earnings could make up a smaller share of Lafayette County's total income and transfer payments

Components of 2006 Total Personal Income



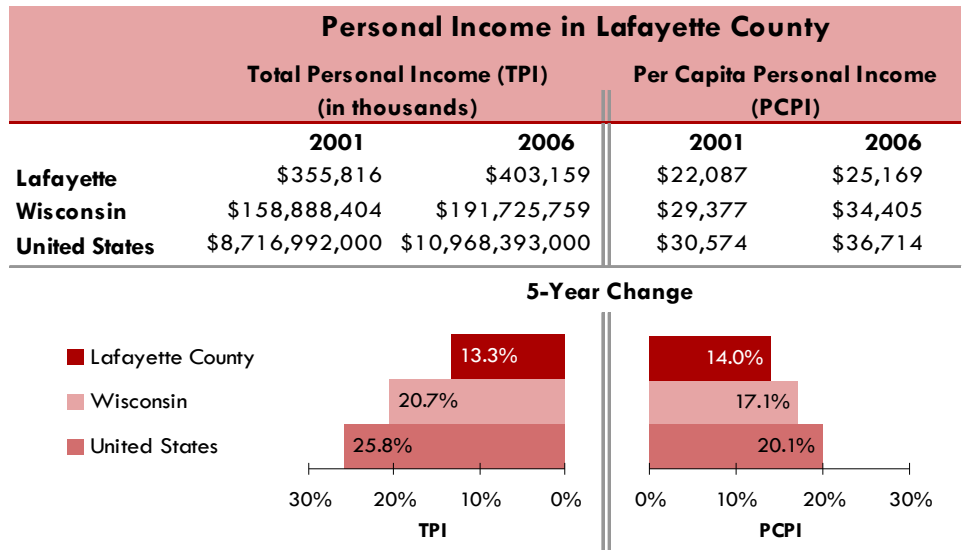
Source: US Dept. of Commerce, Bur. of Economic Analysis, 2008

Income

could become a larger share. Comparing Lafayette County to the state and the nation, it seems that this shift has already begun.

When investments pay off, they yield dividends, interest, and rent. This is the second category of income. Net earnings are often tied to jobs at specific physical locations. When people leave jobs, other people will typically fill the positions, and spend the earnings locally. In contrast, owners of income-earning assets can often collect their income from nearly anywhere, so leaving the area does not necessarily affect their income stream. Imagine for a moment that many Lafayette County residents with income-earning assets moved to larger cities or warmer climates. They could take much of their income with them. Nothing about their departure would cause other residents to fill the investment income gap. If younger residents lack resources to invest or choose to consume rather than invest, investment income will decline.

Personal current transfer receipts (mainly programs like Medicare and Social Security) have a substantial impact on several key industries listed on page five. The group of benefits-eligible residents in Lafayette County will grow quickly in the near future. Whether benefits will



Source: US Dept. of Commerce, Bureau of Economic Analysis, April 2007

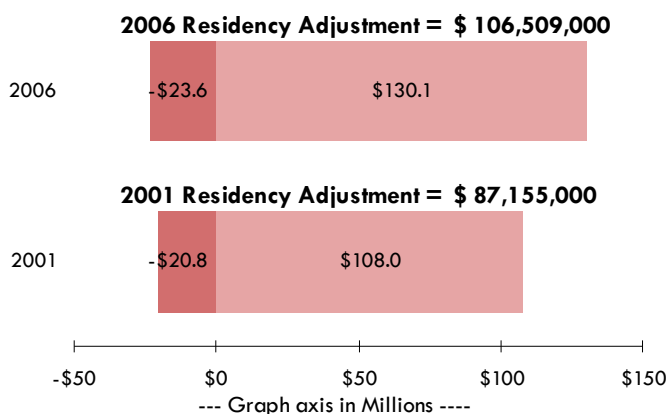
remain at historically normal levels and how they will be paid remains uncertain in the near term. With each passing year the political feasibility and practical necessity of radical change move in opposite directions.

Between 2001 and 2006, Lafayette County's total income grew from nearly \$356 million to over \$403 million, or 13.3 percent. Total income grew faster in both Wisconsin (20.7%) and the United States (25.8%). Dividing total income by population yields per capita personal income (PCPI). Because Lafayette County's population grew slower than the state's and the nation's, the PCPI growth gap was not as large as the total personal income growth gap. Nonetheless, Lafayette County's PCPI (\$25,169) remains well below Wisconsin's (\$34,405) and the nation's (\$36,714). Suburban areas and select segments of urban areas tend to report much higher PCPI, while rural areas and parts of inner cities tend to report lower PCPI. High-income residents often cluster.

In 2006, Lafayette County residents earned \$130.1 million by commuting to jobs in other counties and residents of other counties earned \$23.6 million by commuting to jobs in Lafayette County. The difference, \$106.5 million, is the net impact of commuting on Lafayette County's total income. This is 26.4 percent of total income. Between 2001 and 2006, the net commuting impact grew 22.2 percent, which was a great deal faster than total income (13.3%). This suggests that wages earned outside Lafayette County have become more important to the local economy over time.

Lafayette County Commuting Impact

- Earnings of workers living in another county (outflow)
- Earnings of residents working in other counties (inflow)



Source: US Dept. of Commerce, Bureau of Economic Analysis, April 2007