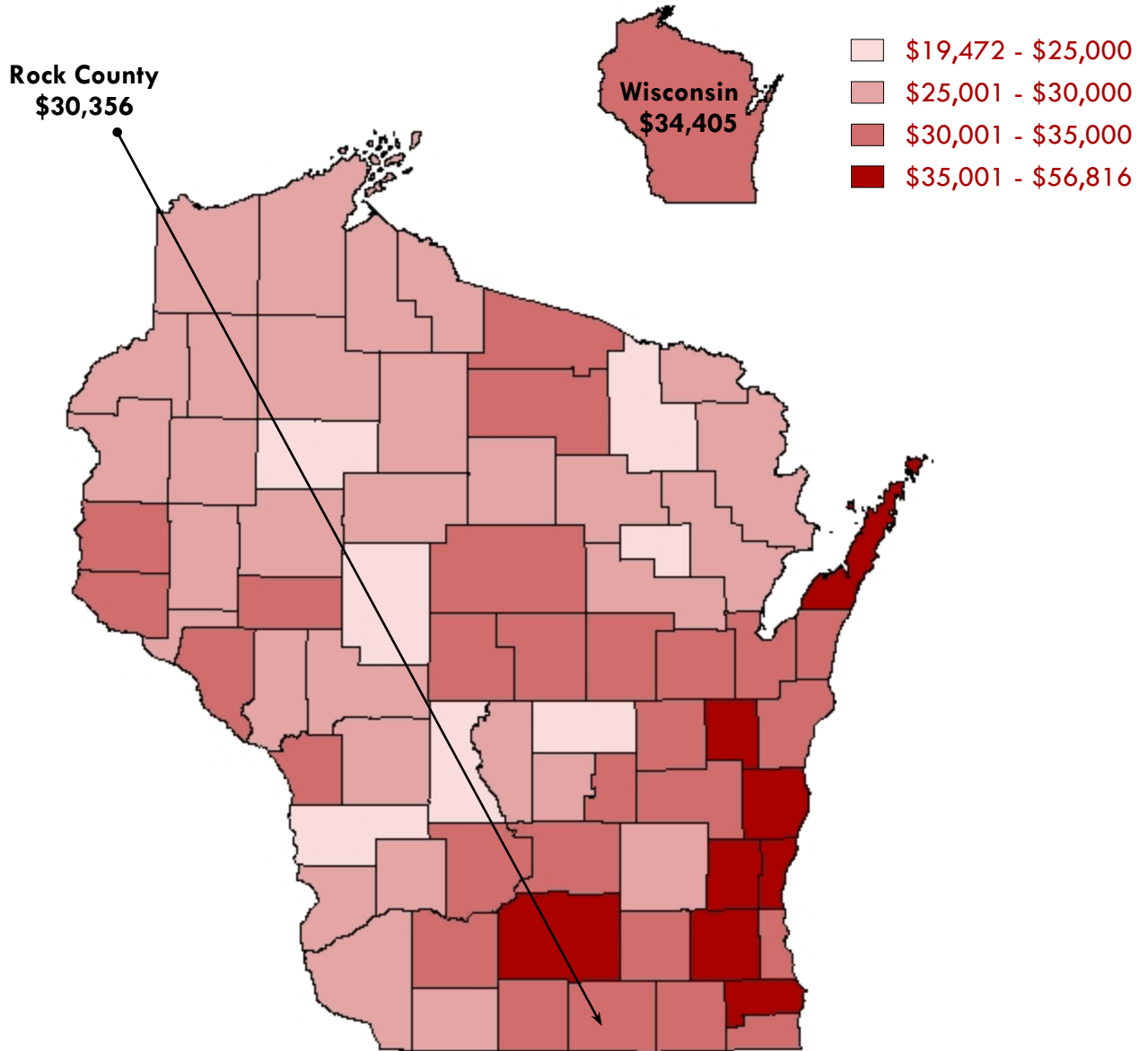


Rock County Workforce Profile

Per Capita Personal Income in 2006



2008

Office of Economic Advisors

Wisconsin Department of Workforce Development
OEA-10646-P

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Population

Population trends affect the demand for goods and services as well as the supply of labor to produce goods and services. Rock County's population grew by 7,223 people or 4.7 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%). In this time period, the Rock County experienced 4,726 more births than deaths while in-movers outnumbered out-movers by 2,497. Natural change (births minus deaths) tends to be more steady and reliable, while net migration (in-movers minus out-movers) changes direction more quickly and less predictably. Because natural change is more dominant in Rock County than in most places, local population growth probably rests on a somewhat more stable base (unless out-migration picks up sharply).

Combined, the cities of Janesville and Beloit had 99,830 residents, or 62.6 percent of the county's population. The same two cities added 3,855 residents, or 53.4 percent of the net population gain. Populations declined in the towns of Magnolia, Rock, Turtle, and La Prairie as well as the Village of Footville.

As demographic patterns shift, individual municipalities' growth rates and population ranks will change. One of the few certainties of demographic change is this: the baby boom generation that once swelled the working-age cohorts will eventually reach retirement age and become eligible for age-triggered programs such as Social Security,

Rock 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%
Rock County	152,307	159,530	7,223	4.7%
Janesville, City	60,200	62,720	2,520	4.2%
Beloit, City	35,775	37,110	1,335	3.7%
Beloit, Town	7,038	7,395	357	5.1%
Milton, City	5,132	5,660	528	10.3%
Edgerton, City*	4,891	5,262	371	7.6%
Evansville, City	4,039	4,900	861	21.3%
Janesville, Town	3,048	3,406	358	11.7%
Rock, Town	3,338	3,326	-12	-0.4%
Fulton, Town	3,158	3,284	126	4.0%
Milton, Town	2,844	3,006	162	5.7%

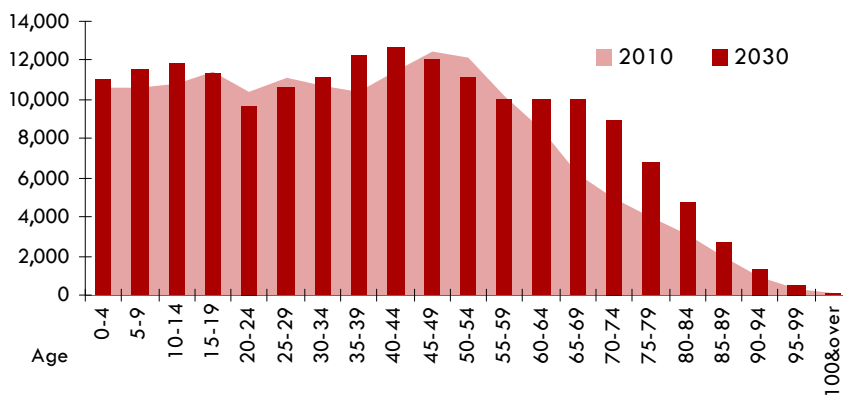
* Rock County portion only

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

Medicare, and Wisconsin counterparts.

Wisconsin Department of Administration population projections suggest that Rock County's population will climb from 162,138 in 2010 to 180,379 in 2030. During that time, the population between the ages of 45 and 59 will shrink from 34,903 people, or roughly 21.5 percent of the population, to 33,804 people, or 18.3 percent of the population. The population between the ages of 65 and 79 will grow from 15,166 people, or 9.4 percent of the population, to 25,762 people, or 14.3 percent of the population. Figures on page three suggest that residents aged 45 to 59 years are much more likely to participate in the labor force than residents aged 65 to 79 years. As a result of these trends, Rock County's labor force growth is projected to shrink after 2020.

Population by Age Cohorts in Rock County



In 2010, the average Rock County resident will be 37.7 years old.
 In 2020, the average Rock County resident will be 38.9 years old.
 In 2030, the average Rock County resident will be 40.2 years old.

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

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 nursing homes, assisted living facilities, and other senior housing may grow. These trends could sharply increase the supply of available single-family housing. Between 2010 and 2030 the total population will grow by over 11 percent and the 20- to 34-year-old cohort will shrink by more than 2 percent. If this age group is responsible for a large share of births and home purchases, this could soften demand for single-family housing and local public education.

Population & Labor Force

Population Projections for Rock County						
Age Group:	0-15	16-34	35-54	55+	Labor-Force-Aged Population	Total Population
Years	Population					
2010	34,195	41,272	46,501	40,170	127,943	162,138
2020	35,988	41,511	44,933	49,878	136,322	172,310
2030	36,741	40,536	48,077	55,025	143,638	180,379
Distribution of Labor-Force-Aged Population						
2010		32.3%	36.3%	31.4%		
2020		30.5%	33.0%	36.6%		
2030		28.2%	33.5%	38.3%		

Source: WI Dept. of Administration, Demographic Services

The table above indicates that Rock County's population is projected to grow 11.3 percent (from 162,138 to 180,379) between 2010 and 2030. Meanwhile, the labor-force-aged population (residents 16 or more years old) will grow 12.3 percent (from 127,943 to 143,648). Page three will show that some labor-force-aged residents (especially those 55 or more years old) are less 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 32.3 percent of the labor-force-aged population in 2010, and that this share will shrink to 28.2 percent in 2030. The share of residents between the ages of 35 and 54 will shrink from 36.3 percent of the labor-force-aged population in 2010 to 33.5 percent in 2030.

The remaining segment of the labor-force-aged population – Rock County residents 55 or more years old – is projected to become a larger share of the labor-force-aged population (from 31.4 percent in 2010 to 38.3 percent in 2030). Some baby boomers will work later in life than previous generations of 55-and-older residents have worked. 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.

One result of this shift is illustrated by the line graph to the right. While total population numbers increase, the labor force (those working or looking for work) will shrink eventually. Many baby boomers will be leaving 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.

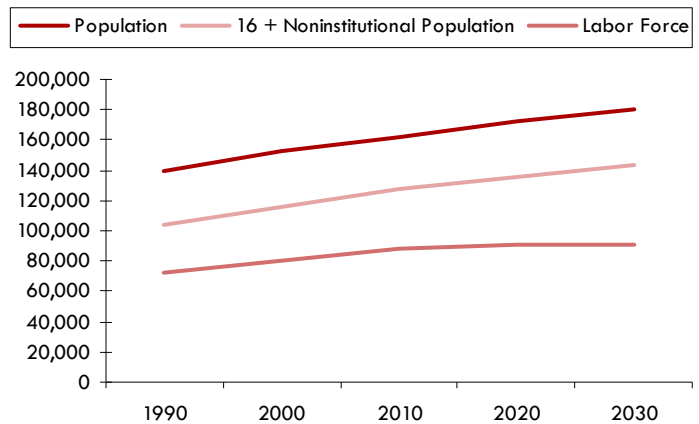
Another result of this demographic shift may be more intense competition for workers 55 or more years old. Their experience and expertise will be hard to replace in

some cases. 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 Rock County employers struggle to find workers, some may use more appealing compensation or work environments to boost recruitment. Meanwhile, some em-

ployers 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.

Rock County Historic and Projected Population and Labor Force



Source: WI DWD, OEA

Labor Force Projections for Rock County				
Age Group:	16-34	35-54	55+	Total Labor Force
Years	Labor Force			
2010	33,233	40,021	15,021	88,275
2020	33,149	38,875	19,002	91,026
2030	32,376	41,512	16,881	90,769
Distribution of Labor Force				
2010	37.6%	45.3%	17.0%	
2020	36.4%	42.7%	20.9%	
2030	35.7%	45.7%	18.6%	

Source: WI DWD, OEA

Labor Force

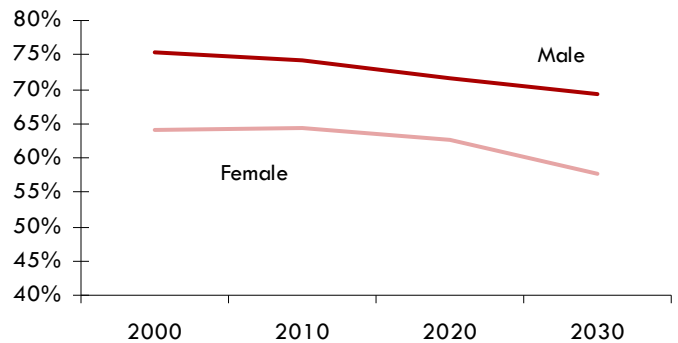
Advocates for workers 55 and over hasten to remind us that, with each passing decade, the economy places more value on the problem-solving, leadership, and innovation skills that baby boomers have developed. The workplace's social and professional networks are a bigger part of individual and community identities than ever before. In the workplace, 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 residents that works or looks for work. Ineligible residents who do not affect the participation rate are residents under 16, residents engaged in active military service, and residents of institutions like correctional or nursing facilities.

In the 1970s, 1980s, and 1990s, many women joined the labor force for the first time. The female labor force participation rate surged from a fraction of the male rate to a level much closer to the male rate. 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.

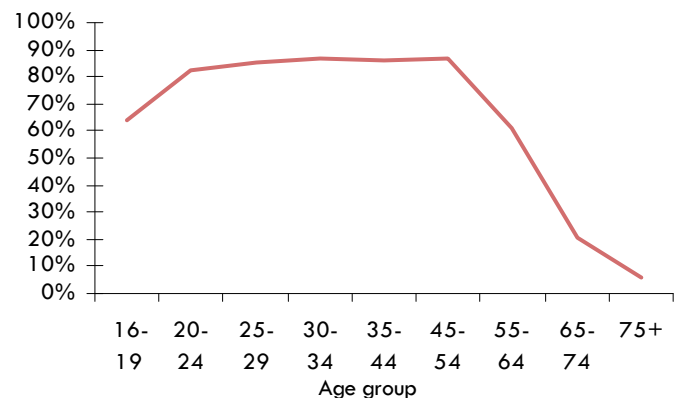
Two significant factors will probably prevent substantial increases in female labor force participation rates. First, women enjoy longer life expectancies than men. Those additional years are in a time of life when labor force participation rates tend to be at their lowest. Second, female participation rates tend to be lower in age cohorts often associated with bearing and raising children (say, ages 25 to 34) and tend to be higher in age cohorts where residents often have older kids (say, ages 35 to 54). This suggests that decisions made around the time children are often born and raised are primary reasons for female labor force participation rates being lower in the early age cohorts. Available data does not suggest that females will stop outliving males or that female LFPR

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

around typical child-bearing and child-raising years will rise dramatically. Therefore, a major source of labor force growth in decades past will not cause pronounced labor force growth in the future.

The lower of the two graphs above shows how dramatically labor force participation rates fall 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 keep 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 paycheck to keep them in the labor force. Available workforce and available jobs often take time to match up.

Rock County Civilian Labor Force Data

	2003	2004	2005	2006	2007
Labor Force	82,488	82,706	83,478	84,440	84,300
Employed	77,391	78,037	78,521	80,170	79,546
Unemployed	5,097	4,669	4,957	4,270	4,754
Unemployment Rate	6.2%	5.6%	5.9%	5.1%	5.6%

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

Jobs & Wages

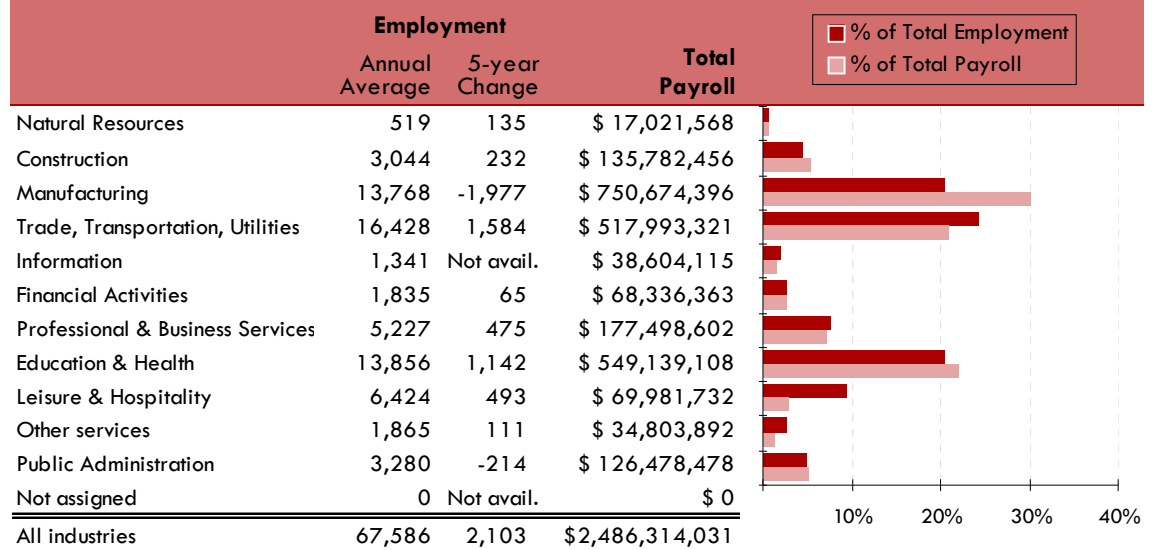
Few factors influence a local economy more than the number of jobs in the area and the average wage of those jobs. Payroll reports show that in 2007 Rock County's trade, transportation, and utilities sector generated more employment (16,428 jobs) than any other sector. Comparing 2002 to 2007, this sector's employment rose 10.7 percent and its average wage rose 16.0 percent. This sector's

retail trade segment reported 9,152 jobs with an average wage of \$23,737, while the utilities segment reported 348 jobs with an average wage of \$69,114.

The next-highest employment figure was in the education and health sector (13,856 jobs). For more detail, see discussion on page four regarding three education and health sub-sectors: educational services, hospitals, and ambulatory health care services.

The manufacturing sector reported a decline of 1,977

2007 Employment and Wage Distribution by Industry in Rock County



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

jobs between 2002 and 2007. At this writing, no data is available for the second half of 2008 or any of 2009. By the end of 2009, General Motors and its partners are expected to cease or nearly cease operations. Transportation equipment manufacturing provided \$301 million of the manufacturing sector's \$751 million payroll. The sub-sector's average wage (\$70,996) was much higher than the manufacturing sector's average wage (\$54,523), so recent and forthcoming changes are anything but painless.

For all the skill and expertise that Rock County's manufacturing workers offer, they face auto industry upheaval and the national shift toward a post-industrial economy. Non-manufacturing employers sometimes doubt that they can efficiently integrate workers with high-wage manufacturing experience. The Department of Workforce Development partners with other organizations who provide education and training. Together, we seek to maximize the wage trajectories and employment opportunities of people such as those affected by changes in the auto industry.

Average Annual Wage by Industry Division in 2007

	Average Annual Wage		Rock County as a Share of Wisconsin	Rock County 5-year % Change	Wisconsin 5-year % Change
	Rock County	Wisconsin			
All industries	\$36,787	\$38,070	96.6%	12.0%	17.4%
Natural Resources	\$32,797	\$29,235	112.2%	1.9%	14.7%
Construction	\$44,607	\$47,489	93.9%	17.2%	19.8%
Manufacturing	\$54,523	\$47,106	115.7%	13.6%	16.1%
Trade, Transportation & Utilities	\$31,531	\$32,762	96.2%	16.0%	15.3%
Information	\$28,788	\$48,483	59.4%	Not avail.	24.7%
Financial Activities	\$37,241	\$50,749	73.4%	14.6%	25.8%
Professional & Business Services	\$33,958	\$44,328	76.6%	18.1%	22.0%
Education & Health	\$39,632	\$39,606	100.1%	12.6%	17.3%
Leisure & Hospitality	\$10,894	\$13,589	80.2%	12.3%	14.8%
Other Services	\$18,662	\$22,073	84.5%	12.7%	13.2%
Public Administration	\$38,561	\$39,879	96.7%	20.6%	18.1%

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

Jobs & Wages

Prominent Industries in Rock County							
Industry Sub-sectors (3-digit NAICS)	Average Employment			Average Wages			
	2007 Avg.	5-year Percent Change		2007 Average		5-year Percent Change	
	Rock County	Rock County	Wisconsin	Rock County	Wisconsin	Rock County	Wisconsin
Educational services	5,497	3.3%	2.0%	\$ 36,269	\$ 39,753	10.3%	15.0%
Food services & drinking places	5,282	13.0%	9.1%	\$ 10,373	\$ 10,859	10.4%	14.5%
Transportation equipment manufacturing	4,241	-33.7%	-4.9%	\$ 70,996	\$ 55,143	17.1%	10.1%
Hospitals	3,746	15.2%	12.6%	\$ 51,997	\$ 43,750	13.6%	24.1%
Administrative & support services	3,169	11.7%	15.8%	\$ 18,302	\$ 23,144	10.9%	15.4%
Merchant wholesalers, durable goods	2,757	24.2%	6.8%	\$ 38,092	\$ 52,130	15.7%	15.4%
Executive, legislative, & gen government	2,659	-8.8%	-4.7%	\$ 40,063	\$ 36,340	22.4%	16.4%
Ambulatory health care services	2,280	8.4%	8.7%	\$ 49,027	\$ 57,969	15.1%	18.5%
General merchandise stores	2,085	-1.0%	7.1%	\$ 17,699	\$ 17,914	17.2%	16.3%
Truck transportation	2,051	15.0%	7.1%	\$ 40,841	\$ 41,316	13.0%	14.6%

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

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

As noted earlier, this profile's 2007 data for employment and wages does not incorporate significant changes in transportation equipment manufacturing that will probably appear in 2008 and 2009 data. Nonetheless, it is worth noting that, as recently as 2007, transportation equipment manufacturers reported 4,241 jobs with an average wage of \$70,996. Between 2002 and 2007, this sub-sector's employment declined 33.7 percent and its average wage rose 17.1 percent. This suggests that the lower-paid workers probably lost their jobs before the higher-paid workers.

It is not clear how many jobs in truck the truck transportation sub-sector were connected to the movement of auto parts or finished automobiles. Volatile fuel prices and volatile demand for shipping pose challenges for truckers.

When reviewing the above list of Rock County's prominent sub-sectors, it is interesting 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 hospitals and ambulatory health clinics 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 taxpayers to the largest group of benefits-eligible residents ever, local, state, and federal budgets could face increasing strain. In recent years, many Wisconsin school districts

have faced increasing pressure to keep property taxes from rising. 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.

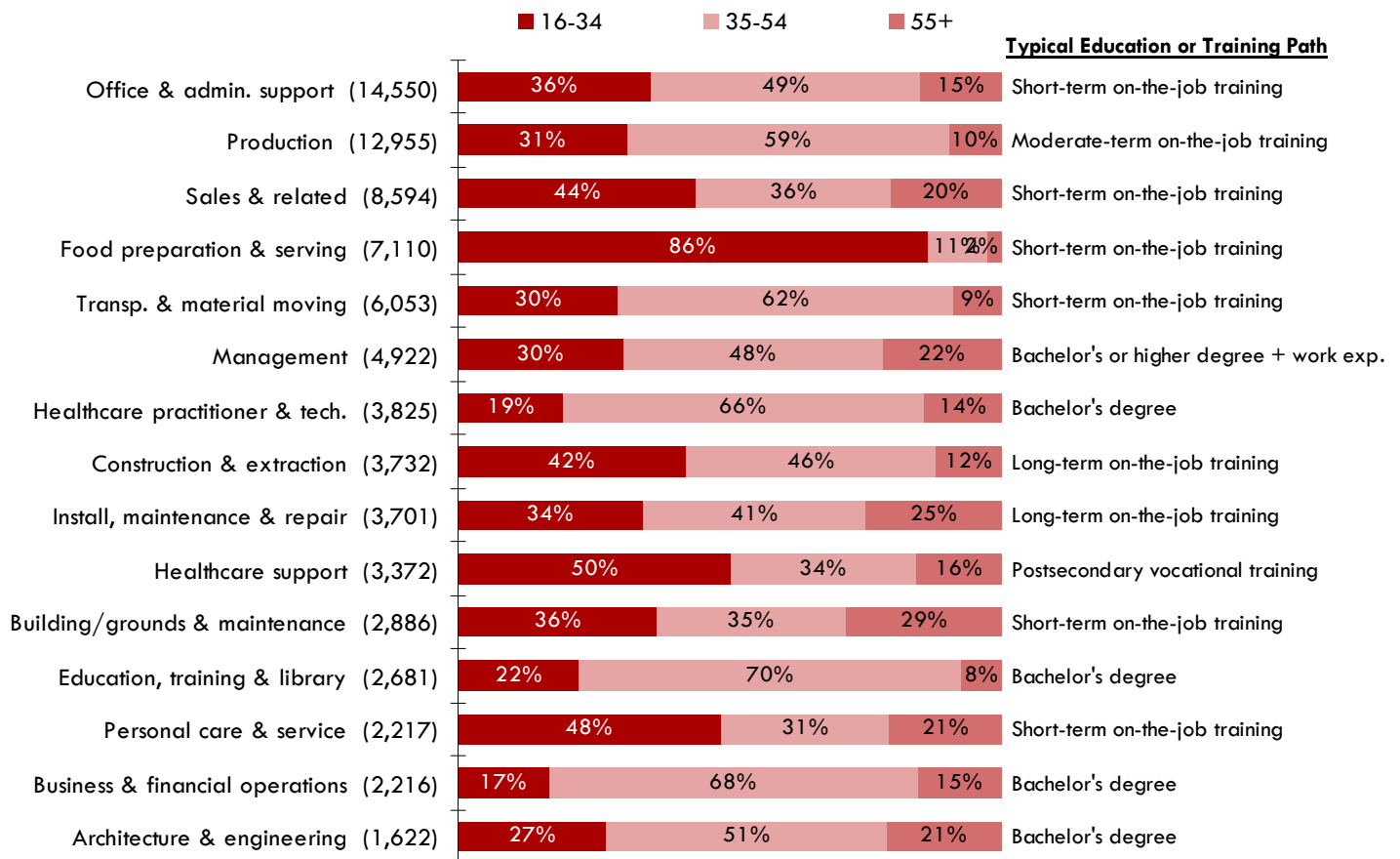
Prominent Public and Private Sector Employers in Rock County		
Establishment	Service or Product	Number of Employees (March 2007)
General Motors Corporation	Light truck & utility vehicle manufacturing	1000+ employees
Mercy Health System Corp	General medical & surgical hospitals	1000+ employees
Janesville Public School	Elementary & secondary schools	1000+ employees
County of Rock	Executive & legislative offices, combined	1000+ employees
Beloit Public School	Elementary & secondary schools	1000+ employees
Beloit Memorial Hospital Inc	General medical & surgical hospitals	1000+ employees
Lab Safety Supply Inc	Mail-order houses	500-999 employees
Wal-Mart	Discount department stores	500-999 employees
Lear Operations Corp	Motor vehicle seating & interior trim mfg.	500-999 employees
Staff On Site of Wisconsin Inc	Temporary help services	500-999 employees

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

Occupations & Typical Education or Training

Age Distribution of Workers in Selected Occupational Groups

Data includes residents of Rock County.



Note: Occupation groups are in descending order based on the number of workers in each group.

Source: 2006 U.S. Census ACS PUMS & WI DWD, 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 Rock County. 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 the overwhelming majority of jobs in food preparation and serving occupations. This age cohort also accounts for roughly half of healthcare support workers and personal care and service workers, and nearly as large a share of construction and extraction workers. Stu-

dent schedules and seasonal demand account for some of younger workers' prevalence in food service occupations and construction occupations. Low starting wages and limited wage growth in some healthcare support occupations and many food service occupations mean that older, more experienced workers often prefer to change occupations. Whether employers' perceptions are well-founded assumptions or ill-founded prejudice, they sometimes expect younger workers to offer more schedule flexibility and physical stamina than older workers.

Education, training, and experience requirements explain why 16- to 34-year-olds do not make up large shares of workers in education, training, and library occupations; architecture and engineering occupations; or business and financial operations occupations. It is somewhat more puzzling that there are relatively few younger work-

Occupations & Typical Education or Training

ers in healthcare practitioner and technical occupations and transportation and material moving occupations. Although some jobs in registered nursing require Bachelor's degrees, many jobs in these occupational groups require relatively manageable education and training preparation and some jobs in these fields offer decent career paths. Anecdotally, employers often complain that counselors and parents push students with good work habits into four-year post-secondary programs and that jobs that do not require four-year degrees draw applicants who have less work-readiness than employers require.

The 35- to 54-year-old cohort accounts for fairly large shares of workers in education, training, and library occupations (70 percent); in business and financial operations occupations (68 percent); and in healthcare practitioner and technical occupations (66 percent). All three of these occupational groups include many workers with better-than-average retirement resources. While it is unlikely that massive numbers of these workers will retire at age 55, they may be more likely to retire before 65 than their counterparts in other occupations. If many of these workers were closer to 54 than 35, some of their employers could struggle to digest a wave of retirements.

Elements of this reasoning probably apply to the low shares of 55-and-over workers in production occupations (10 percent), transportation and material moving occupations (9 percent); and construction and extraction occupations (12 percent). Retirement resources and physical demands probably play significant roles in many workers' decisions about how long they stay in these occupations.

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 communities, assisted living facilities, and nursing homes. If either of these trends becomes pronounced, then Rock County could experience increased demand for installation, maintenance, and repair workers (25 percent of whom are 55 or more years old), and increased demand for building and grounds cleaning and maintenance workers (29 percent of whom are at least 55). Employers who solve the riddle of recruiting and retaining younger workers may enjoy a competitive advantage. A similar argument can be made with even greater confidence in healthcare-related occupations: baby boomers are almost certain to increase demand for the services of healthcare workers who are often approaching retirement.

Income

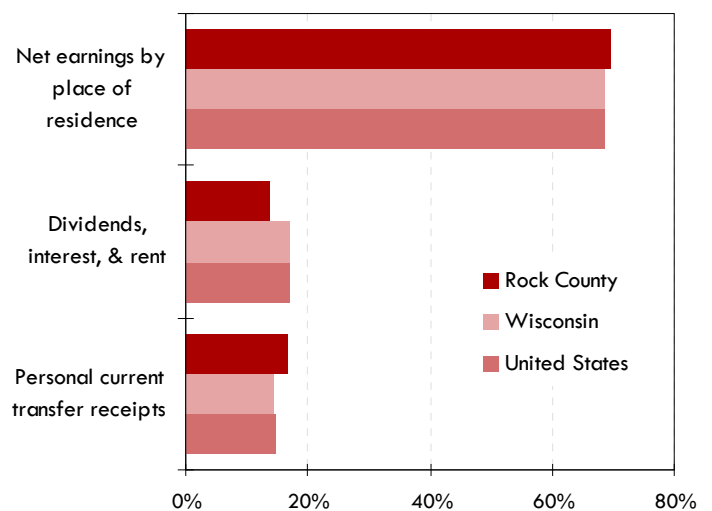
Pages four and five analyze payroll employment and wage data that employers report to Wisconsin's Unemployment Insurance system. Pages seven and eight analyze income data from federal tax records; this includes non-payroll income sources such as proprietors' income, investment income, and government 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 Rock 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 ages in which they draw on private re-

tirement resources (dividends, interest, and rent) government transfers like Social Security and Medicare. This means that net earnings could make up a smaller share of

Components of 2006 Total Personal Income



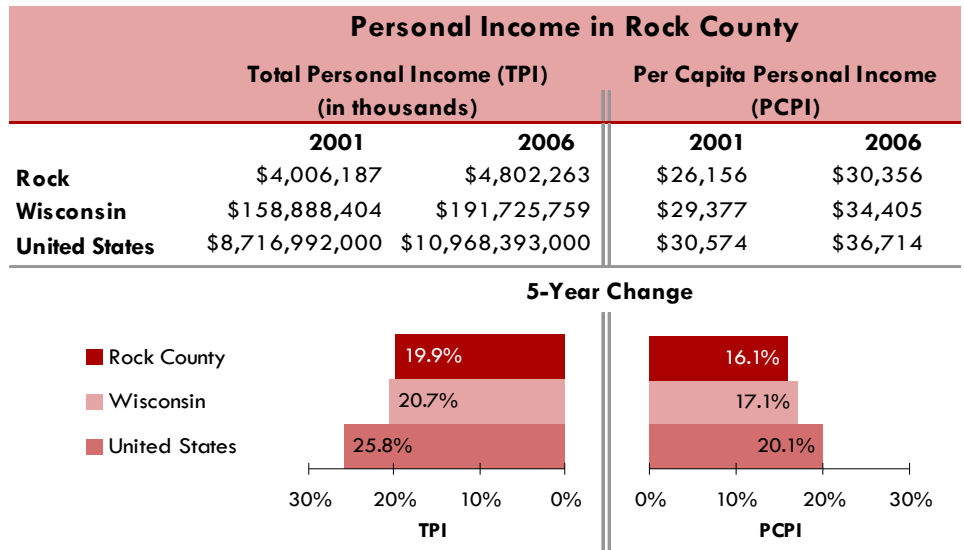
Source: US Dept. of Commerce, Bur. of Economic Analysis, 2008

Income

Rock County's total income in the future and investment income and transfer payments could become larger shares.

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 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 Rock County residents with income-earning assets (such as pensions) 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 Rock County will grow quickly in the near future. Whether benefits will remain at



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

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

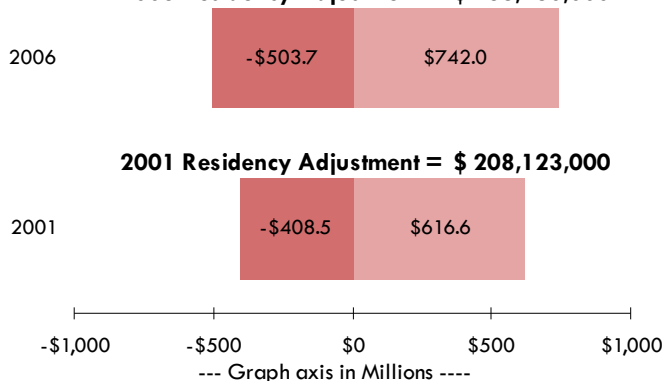
Between 2001 and 2006, Rock County's total income (TPI) grew from nearly \$4.0 billion to \$4.8 billion, or 19.9 percent. This was slower than Wisconsin TPI growth (20.7 percent) and national TPI growth (25.8 percent). Dividing total income by population yields per capita personal income (PCPI). Rock County's PCPI growth (16.1 percent) was slower than the state's (17.1 percent) and nation's (20.1 percent). Rock County's PCPI (\$30,356) remains 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. To the extent that high-income residents often cluster, redeveloping is one of the only ways to change an area's relative standing.

In 2006, Rock County residents earned \$742 million by commuting to jobs in other counties and residents of other counties earned nearly \$504 million by commuting to jobs in Rock County. The difference, just over \$238 million, is the net impact of commuting on Rock County's total income. This is about 5.0 percent of total income. Between 2001 and 2006, the commuting inflows grew 20.3 percent and commuting outflows grew 23.3 percent, while total income grew 19.9 percent. Inbound commuters' income and outbound commuters' income are both becoming more important to local economies over time.

Rock County Commuting Impact

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

2006 Residency Adjustment = \$ 238,280,000



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