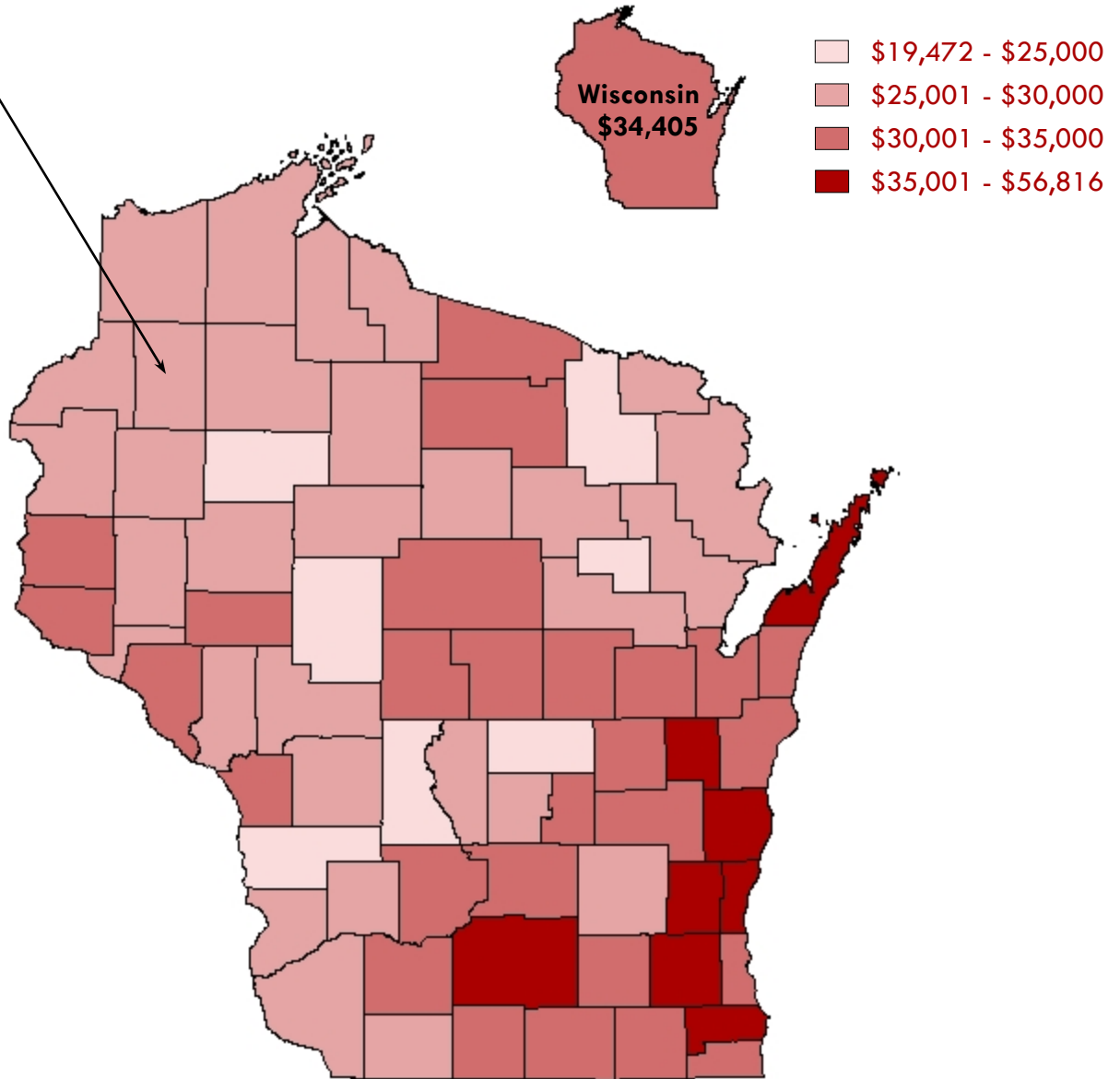


Washburn County Workforce Profile

Washburn County
\$25,095

Per Capita Personal Income in 2006



2008

Office of Economic Advisors

Wisconsin Department of Workforce Development
OEA-10658-P

Scott Hodek
221 W. Madison St
Eau Claire, WI 54703
715.836.2997
Scott.Hodek@dwd.wisconsin.gov

Population

Washburn County added 167 residents in the previous year to settle at a total population of 17,403 on January 1, 2007. The county's population increased 8.5 percent since 2000, exceeding 5.3 percent growth in the state's population and 6.9 percent in the nation. An ever-expanding population base has become the norm in Washburn County, occurring in every year since 1991. In 2007 Washburn County ranked 14th fastest growing among the 72 counties in Wisconsin.

The increase in population relies heavily on new residents moving into the county, although even that has slowed somewhat from the mid-2000s, rather than an increase in the number of residents born in the county. Since 2000 the county population increased 1,442 from net migration (the difference of residents moving into and out of the county) far exceeding the reduction in population of 75 from the sum of births minus deaths. The change from natural causes included 1,159 births and 1,234 deaths since 2000.

Most of the county's new residents moved to rural areas between the cities of Spooner and Shell Lake (Town of Bashaw) or have taken up residence in the towns of Minong and Trego, north of Spooner. Roughly 40 percent of the increase in population found homes in these three towns. The two largest municipalities, also the only incorporated cities in the county, are home to nearly one-quarter of the county's population. But since 2000 they have added only seven percent of the county's new

Washburn 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%
Washburn County	16,036	17,403	1,367	8.5%
Spooner, City	2,653	2,690	37	1.4%
Shell Lake, City	1,309	1,371	62	4.7%
Bashaw, Town	921	1,165	244	26.5%
Evergreen, Town	1,076	1,127	51	4.7%
Trego, Town	885	1,056	171	19.3%
Minong, Town	858	1,000	142	16.6%
Long Lake, Town	737	773	36	4.9%
Beaver Brook, Town	643	733	90	14.0%
Spooner, Town	677	725	48	7.1%
Bass Lake, Town	535	648	113	21.1%

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

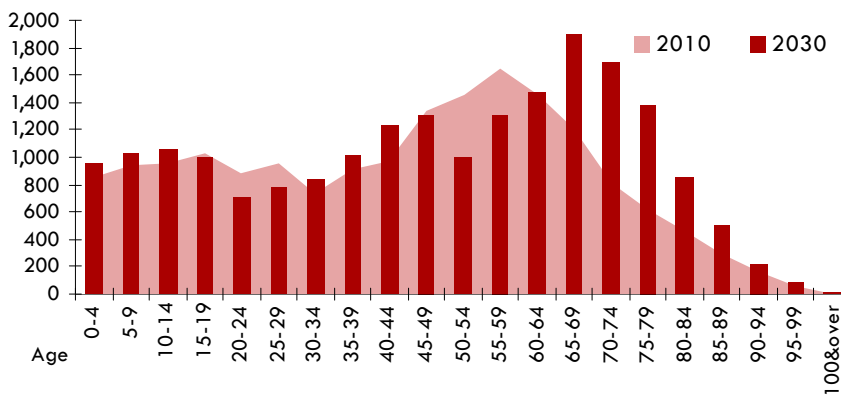
residents.

A population adding residents from net migration will see a fast rate of increase in the average age of its residents, since the in-migrants are almost always adults and often retirees. This is the case in Washburn County where the average age was 41.3 years in 2000. By 2020 it is anticipated that the average age of county residents will be 45.9 years and 47.6 by 2030! This puts the county's average age substantially above the state mean of 36.4 years of age in 2000, and the gap will widen with time as the state average age increases to 39.6 years in 2020, and 41.0 years in 2030.

The graph on the left not only demonstrates the 'weight' of this older population in Washburn County, but also reflects the loss of young people who leave the area seeking more enticing opportunities or more excitement away from their "home town". Without attractive job prospects, young people move in pursuit of more education and better jobs.

The county faces a future that includes meeting the needs of an elderly population and a shortage of workers to replace those retiring. While it is now true that many baby boomers don't plan to fully retire most will move into other positions. Studies show that only 5 percent of retirement-age workers remain full-time in their pre-retirement positions. Additionally, health care demands increase as the population ages. Due to the relatively advanced age of Washburn County residents, this demand will increase sooner than later.

Population by Age Cohorts in Washburn County



In 2010, the average Washburn County resident will be 43.6 years old.
 In 2020, the average Washburn County resident will be 45.9 years old.
 In 2030, the average Washburn County resident will be 47.6 years old.

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

Population & Labor Force

Population Projections for Washburn County						
Age Group:	0-15	16-34	35-54	55+	Labor-Force-Aged Population	Total Population
Years	Population					
2010	2,966	3,382	4,671	6,715	14,768	17,734
2020	3,116	3,369	4,178	8,665	16,212	19,328
2030	3,259	3,138	4,556	9,423	17,117	20,376
Distribution of Labor-Force-Aged Population						
2010		22.9%	31.6%	45.5%	100.0%	
2020		20.8%	25.8%	53.4%	100.0%	
2030		18.3%	26.6%	55.1%	100.0%	

Source: WI Dept. of Administration, Demographic Services

The graph on page 1 is indicative of the significance that baby boomers have on the total population. Population growth in Washburn County that is dominated by an older generation will contribute little to the workforce, and rather than expanding the overall economy, could instead even drain resources.

The relationship between the population and the labor force has entered a new era. The previous era was defined by the large size of the Baby Boomer generation (those born from 1946 to 1964) plus the propensity of women to enter the workforce. This combination immensely swelled the workforce beginning in the late 1960s. Forty years later, that workforce expansion is on the cusp of deflating. The first Baby Boomers entered the workforce around 1964 and the rest followed *en masse*. The first Boomers are now eligible for reduced Social Security benefits (the '46ers turned 62 years of age in 2008).

The above table delineates the population by selected age groups over the next three decades. Note that the population in the youngest age group changes little over the 20-year span, the middle age groups decline, and the eldest group increases 40 percent. The population aged 55 years and older increases from 45.5 percent of the labor force aged population (the population aged 16 years and older) to 55.1 percent in 2030. This is a population projection not a labor force projection.

The labor force includes only that share of the population that is engaged in either working or actively looking for work. Beginning near age 55 the rate at which people participate in the labor force begins to drastically decline. As more of the labor force aged population reaches 55 years the number of departures from the labor force increases and seriously impedes workforce growth.

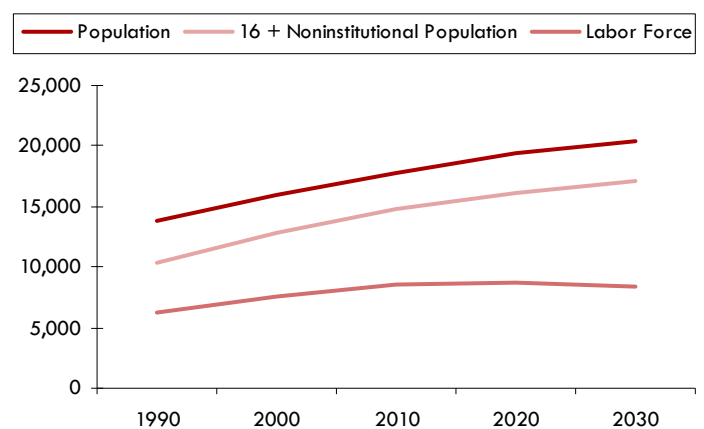
In fact, the 16 plus aged population is projected to add roughly 2,350 residents from 2010 to 2030, but the labor force is expected to decline by approximately 230

participants (bottom table).

The graph below shows the three major components of Washburn County's total population, labor force aged population, and labor force. The top two lines in fact indicate continued growth through 2030, albeit somewhat slower than during the 1990s. The bottom line, representing the county's labor force, peaks by 2010, then begins to slowly decline.

Competition to fill openings for replacements (workers leaving the occupation entirely, whether due to retirement or other reasons) will be fierce in this tighter labor market, not to mention the additional openings generated from business expansions. It will be critical to hold on to talented workers in these conditions.

Washburn County Historic and Projected Population and Labor Force



Source: WI DWD, OEA

Labor Force Projections for Washburn County				
Age Group:	16-34	35-54	55+	Total Labor Force
Years	Labor Force			
2010	2,654	3,812	2,090	8,556
2020	2,629	3,446	2,585	8,660
2030	2,436	3,745	2,144	8,325
Distribution of Labor Force				
2010	31.0%	44.6%	24.4%	100.0%
2020	30.4%	39.8%	29.9%	100.0%
2030	29.3%	45.0%	25.8%	100.0%

Source: WI DWD, OEA

Labor Force

Delving deeper into the relationship between population and labor force requires more detailed information on how the population engages, or participates, in the labor force. The labor force participation rate (LFPR) is the share of the eligible population (the non-institutionalized population aged 16 years and older) that is working or actively looking for work.

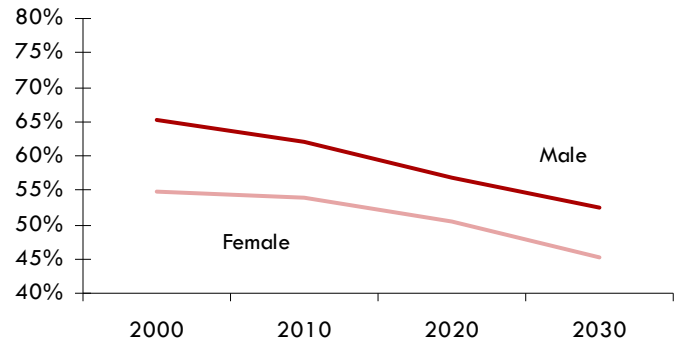
Even though recent decades witnessed increased participation of women in Washburn County, from 38 percent in 1970 to 55 percent in 2000, it never matched the participation of men, which remained relatively flat during the same time span, hovering near 64-65 percent. That said, women contributed significantly to overall labor force expansion in the 1970s and 1980s just as baby boomers flooded the labor market. Now, as boomers celebrate their 55th birthdays and begin to retreat from the labor market, the LFPR for both men and women will begin to decline. By 2030 the LFPR for men in Washburn County is projected to drop closer to 53 percent while women's LFPR declines to 45 percent (top graph).

The combined 2000 labor force participation rate of both men and women varies by age, illustrated in the second graph on the right. Beginning with the youngest age group, primarily teenagers still enrolled in school, the LFPR jumps from 62 percent to 81 percent in the 20-24 year old group. The LFPR remains above 80 percent through the 45-54 year group before declining rapidly to 49 percent for those 55-64 years old and to under 18 percent for those over 65 years. Although there has been a recent uptick nationally of 2-3 percentage points in participation from the older population it will not significantly increase the overall labor force in Washburn County.

The bottom chart reflects some of these changes already occurring the county's labor force. The total labor force declined in 2006 and 2007 following its peak of 8,318 in 2005. The decline resulted from a loss in the number of employed in Washburn County, combined with an increase in the number of unemployed.

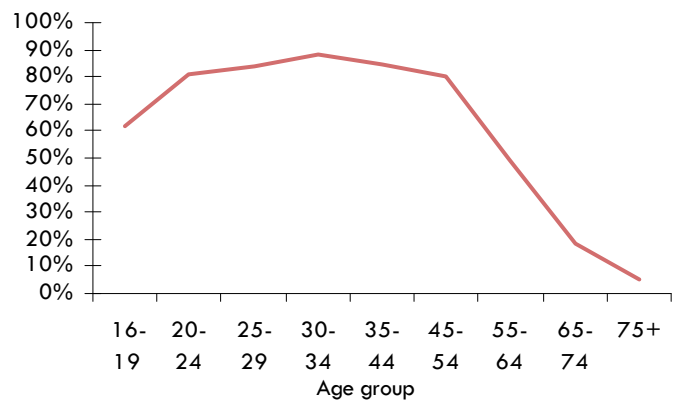
Labor force reductions since 2003 produced a loss of

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

-2.6 percent even though the population increased 5.1 percent over the same period. The overall LFPR in Washburn County declined from 62.2 percent in 2003 to 56.6 percent in 2007. It should be noted that Washburn County's current LFPR is considerably lower than Wisconsin's LFPR of 74.3 percent.

Unemployment rates in the county have been rising since 2004 as the number of residents employed declined from 7,801 to 7,511. The current unemployment rate of 6.7 percent is 0.4 percentage points higher than in 2004 and much higher than the state unemployment rate in 2007 of 4.9 percent. The unemployment rate is very seasonal in Washburn County, falling as employers add jobs February through June. Rates decline throughout most of the summer to a low in September or October. Afterwards the rate climbs to a typical seasonal peak in February, beginning the

Washburn County Civilian Labor Force Data

	2003	2004	2005	2006	2007
Labor Force	8,267	8,203	8,318	8,119	8,054
Employed	7,665	7,686	7,801	7,585	7,511
Unemployed	602	517	517	534	543
Unemployment Rate	7.3%	6.3%	6.2%	6.6%	6.7%

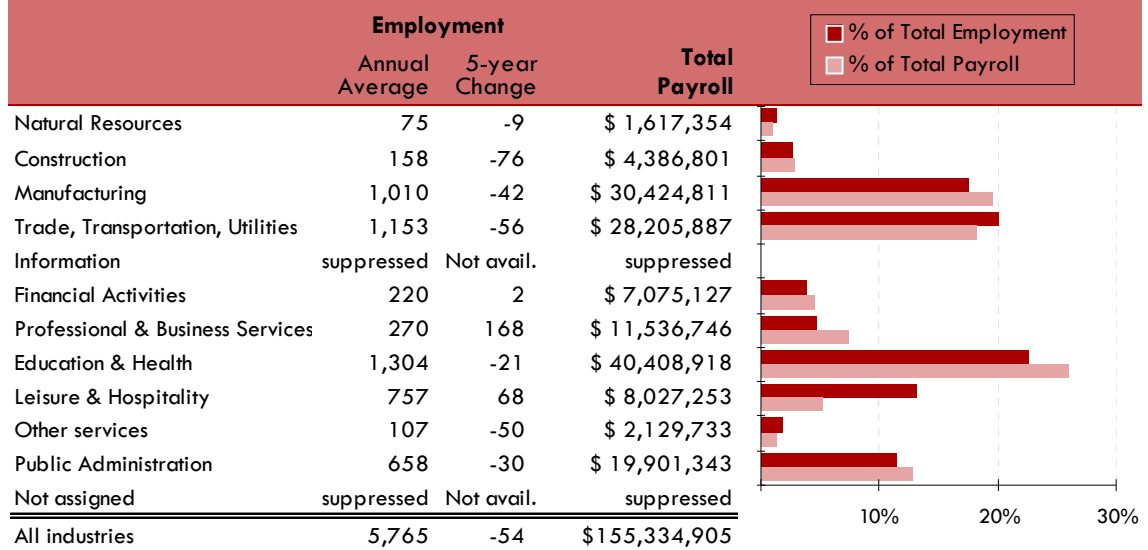
Source: WI DWD, Bur. of Workforce Training, Local Area Unemployment Statistics, 2008

Jobs & Wages

Jobs and wages are the lifeblood of any economy. The more good-paying jobs in a region, the better the prospects for its economy. Washburn County has a diverse range of industry employment but the wages paid to workers in those jobs fall well below the statewide average for those industries.

Three of the major industry super-sectors provide over 60 percent of the jobs in the county: education and health; trade, transportation, and utilities; and manufacturing; and together, provided nearly two-thirds of the payroll from county employers. Of the three, the highest average annual wages are earned by workers in education and health services, but these wages are only 78 percent of education and health wages in the state. The above chart also shows that education and health services contributes more as a share of total payroll than total employment. This means that these jobs in Washburn

2007 Employment and Wage Distribution by Industry in Washburn County



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

County pay relatively well. The inverse occurs in the industry super-sector with the second greatest number of jobs; trade, transportation, and utilities. Employers in this super-sector contribute a greater share of jobs than total payroll which translates into lower annual wages for workers of \$24,463.

While most super-sectors lost jobs over the five-year span since 2002, the number of jobs in professional and business services more than doubled. Much of this growth

occurred when jobs with Links Int'l Services were classified more accurately in the management of companies sub-sector of professional and business services. This move also boosted wages in the super-sector bringing them closer in line with wages statewide. However, because the sector represents less than 5 percent of all jobs the wages do little to raise the overall annual average wage in the county. In 2007 the annual average wage of \$26,944 in Washburn County was only 71 percent of the all industry average of \$38,070 in the state.

Average Annual Wage by Industry Division in 2007

	Average Annual Wage		Washburn County as a Share of Wisconsin	Washburn County 5-year % Change	Wisconsin 5-year % Change
	Washburn County	Wisconsin			
All industries	\$26,944	\$38,070	70.8%	17.8%	17.4%
Natural Resources	\$21,565	\$29,235	73.8%	11.0%	14.7%
Construction	\$27,765	\$47,489	58.5%	13.4%	19.8%
Manufacturing	\$30,124	\$47,106	63.9%	12.3%	16.1%
Trade, Transportation & Utilities	\$24,463	\$32,762	74.7%	19.7%	15.3%
Information	suppressed	\$48,483	Not avail.	Not avail.	24.7%
Financial Activities	\$32,160	\$50,749	63.4%	5.5%	25.8%
Professional & Business Services	\$42,729	\$44,328	96.4%	89.7%	22.0%
Education & Health	\$30,988	\$39,606	78.2%	18.2%	17.3%
Leisure & Hospitality	\$10,604	\$13,589	78.0%	8.0%	14.8%
Other Services	\$19,904	\$22,073	90.2%	10.3%	13.2%
Public Administration	\$30,245	\$39,879	75.8%	16.9%	18.1%

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

Jobs & Wages

Prominent Industries in Washburn County							
Industry Sub-sectors (3-digit NAICS)	Average Employment			Average Wages			
	2007 Avg.	5-year Percent Change		2007 Average		5-year Percent Change	
	Washburn County	Washburn County	Wisconsin	Washburn County	Wisconsin	Washburn County	Wisconsin
Food services & drinking places	535	8.5%	9.1%	\$ 9,120	\$ 10,859	8.2%	14.5%
Educational services	511	-7.9%	2.0%	\$ 37,067	\$ 39,753	14.3%	15.0%
Executive, legislative, & gen government	378	-2.3%	-4.7%	\$ 25,546	\$ 36,340	21.5%	16.4%
Hospitals	*	not avail.	12.6%	*	\$ 43,750	not avail.	24.1%
Wood product manufacturing	249	6.4%	-6.8%	\$ 29,246	\$ 31,799	19.2%	12.3%
Food manufacturing	*	not avail.	-6.7%	*	\$ 38,239	not avail.	13.2%
Ambulatory health care services	240	0.0%	8.7%	\$ 28,671	\$ 57,969	26.4%	18.5%
Food & beverage stores	222	2.3%	-4.9%	\$ 16,316	\$ 17,166	3.0%	9.7%
Nursing & residential care facilities	158	6.8%	3.6%	\$ 19,576	\$ 23,295	8.7%	12.0%
Truck transportation	128	70.7%	7.1%	\$ 29,541	\$ 41,316	66.0%	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 mentioned on the previous page, three industry super-sectors education and health; trade, transportation, and utilities; and manufacturing; lead other industries in providing jobs in the county. But the greatest number of jobs among industry sub-sectors is with employers in food services and drinking places, part of the leisure and hospitality industry. Even though there is an increase in the number of jobs in this sub-sector, wages are low, \$9,120 annually, and wage increases lag Wisconsin wage gains in the sub-sector. Many of these jobs, in both the county and the state, are part-time, seasonal, and often have a higher turn-over which results in more entry-level workers earning wages at the bottom of the scale. Truck transportation, with 128 jobs, is also a part of this large industry grouping, and in the previous five years experienced tremendous growth.

Education and health, on the other hand, is represented in the top table by three of its four sub-sectors. Employers in educational services, the second largest sub-sector in Washburn County, provide 39 percent of the jobs in the education and health services industry. Those jobs are primarily with local school districts (two are included on the top employer list) and the administrative offices of Wisconsin Indianhead Technical College. Contrary to state trends, employment in educational services declined over the previous five years but wage gains kept pace with statewide increases. Annual average wages of \$37,067 are the highest disclosed on the top table.

Manufacturing sub-sectors on the top list include wood and food products, and together provide close to half of all manufacturing jobs in the county. The county's largest employer, Jack Link's Beef Jerky, is a primary employer in

food products while Birchwood Lumber and Veneer is the largest employer in wood products.

The top list is significant in that employers in these ten industry sub-sectors provide more than half of all the jobs in Washburn County.

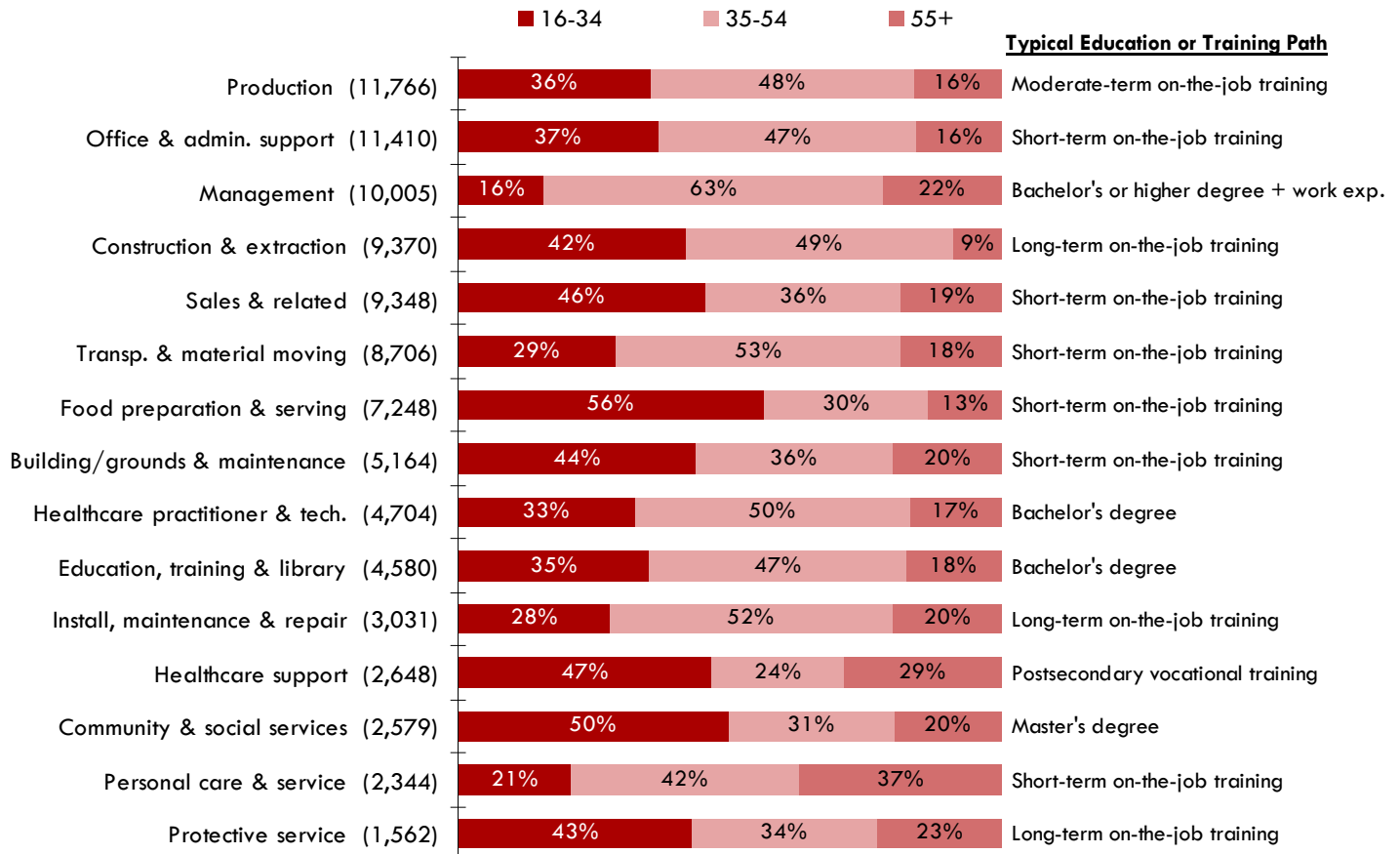
Prominent Public and Private Sector Employers in Washburn County		
Establishment	Service or Product	Number of Employees (March 2007)
Jack Link's Beef Jerky	Meat processed from carcasses	250-499 employees
Spooner Health System	General medical & surgical hospitals	100-249 employees
County of Washburn	Executive & legislative offices, combined	100-249 employees
Spooner Area School District	Elementary & secondary schools	100-249 employees
Birchwood Lumber & Veneer	Hardwood veneer & plywood manufacturing	100-249 employees
Schmitz's Spooner Economart	Supermarkets & other grocery stores	100-249 employees
School District of Shell Lake	Elementary & secondary schools	100-249 employees
Department of Natural Resources	Administration of conservation programs	50-99 employees
Link Intl Services	Managing offices	50-99 employees
Indianhead Community Action Agency	Home health care services	50-99 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 Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor, and Washburn 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

Information on jobs by industry (pages 4-5) is readily available because the data is collected from employers submitting quarterly reports on total payroll and jobs. However, industry reports lack information on the occupations and the training required of the workers who fill those jobs. One source of occupational information is the American Community Survey conducted by the U.S. Census Bureau. Unfortunately this information is not available for small population areas, like Washburn County. In order to meet a minimum population standard the data is grouped with nine neighboring counties listed in the above chart's title.

The chart includes the 15 largest occupational groups, listed in descending order by employment (number of workers in parenthesis), and shows the age demographics of area workers in each group. The three age categories represent all workers in each occupation group while the

typical training path represents the dominant path for the occupations within the group. This does **not** mean that every occupation within that group requires that education or training path.

Most of the occupations listed are heavily weighted with workers in the prime working years (35-54 years old). Others have obvious deviations. For example, the two groups of food preparation and sales are skewed to younger workers. It's not surprising that these occupation groups, with many part-time and seasonal jobs, low wages, and low training requirements employ a high proportion of young workers. This kind of work is also popular with students, both high school and post secondary, because of the large number of frequent job openings and low training requirements.

(Continued on page 7)

Occupations & Typical Education or Training

(Continued from page 6)

If the above conditions favor a preponderance of young workers in food service and sales occupations one is left to wonder why half the jobs in community and social services, where a master's degree dominates other educational paths, is also predominantly staffed by younger workers. First, there are fewer than 2,600 jobs in community and social services compared with nearly 7,300 in food preparation and serving which means that a smaller number of young workers comprise a greater share of overall jobs. And second, even though many of the occupations within the group typically require a master's degree one of the largest occupations, social and human services assistants, provides entry-level opportunities for younger workers.

Perhaps nearly as perplexing is the 37 percent share of older workers in personal care and service occupations where only short-term training is required. Again, the number of total workers is smaller than other groups and several of the occupations within the group, like hairstylist, represent self-employed workers who are less likely to retire early. Other occupations in this group include casino

workers and home care providers, jobs that may attract early-retirees to return to work.

Management occupations naturally tend to have an older age breakout simply because many of these occupations typically require work experience in addition to post-secondary education. This is reflected in the typical education path, bachelor's degree or higher plus work experience, and explains the high wages paid in this group. But the higher barriers to entry, coupled with 22 percent of this group being over the age of 55, means that there could be significant problems filling all the positions vacated by the upcoming boomer retirees.

Skilled healthcare occupations also have a low proportion of younger workers. High education and work experience requirements for doctors and nurses play a major role here. With more and more new openings due to demand from aging baby boomers, and a high number of upcoming retirements, healthcare (already a field with a high number of job openings) will need a tremendous number of new workers of all skill sets in the near future.

The production occupation group, the largest group in the ten-county region, is similarly represented by a large

Income

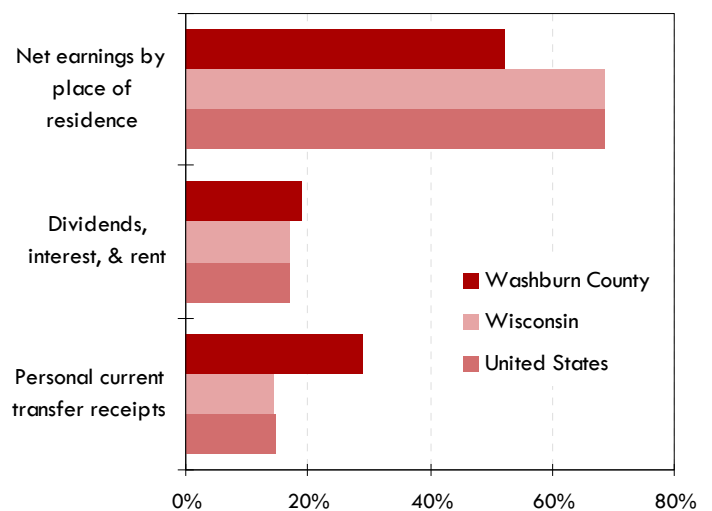
Total personal income, the broadest collection of income data, includes income from three main sources: net earnings; dividends, interest and rent; and transfer receipts. Net earnings come from employment, whether self-employed or employed by someone else. Dividends, interest and rents come from investments, savings accounts, dividends, retirement payments from company pensions, or 401(k) plans. Transfer receipts come from state and federal governments, primarily in the form of Social Security, Medicare payments, unemployment insurance, veterans benefits, welfare, and other payments received from public agencies.

Net earnings make up the vast majority of income, with the remaining percentage divided between the other two components. In most Wisconsin counties, and in the state and nation, income from net earnings exceeds two-thirds of total personal income. However, at 52 percent in Washburn County, residents' share of income from earnings is significantly lower than that of the state and the nation. There are two primary reasons for the lower share. First, the county's residents are older on the whole than in the state and depend to a greater degree on unearned income. Second, many local jobs are seasonal

which generate less annual income, forcing workers to turn to other assistance in the off season (increasing transfer payments), and to jobs that pay on average 30 percent

(Continued on page 8)

Components of 2006 Total Personal Income



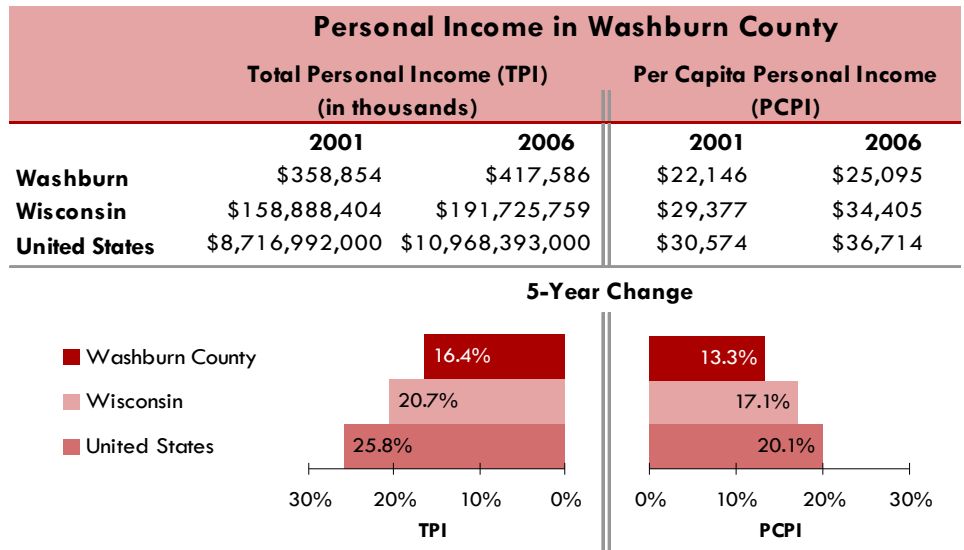
Source: US Dept. of Commerce, Bur. of Economic Analysis, 2008

Income

less than similar statewide jobs (see page 4). Net earnings also includes an adjustment for wages earned by residents working beyond the county's borders (inflow) and a similar adjustment for non-residents working for county employers (outflow).

The bottom chart shows that in 2006 residents working in jobs outside the county added \$73.6 million to Washburn County's total personal income while non-resident workers were paid \$46 million dollars in wages that left the county. The total residency adjustment netted \$27,560,000 in residents' earnings. Commuting patterns from Census 2000 show that most outbound workers are traveling to jobs in Barron and Sawyer counties while inbound workers arrive from Burnett, Barron, and Sawyer counties. Since 2001, the dollars from residency adjustment increased 15.9 percent, slightly less than the increase in total personal income over the five-year period of 16.4 percent.

While total personal income (TPI) is the sum of its parts, per capita personal income (PCPI) is derived by dividing total personal income by total population. Thus, PCPI can be affected by the county residents' demographics. For



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

example, if there is a large number of younger residents that don't work, PCPI will be less because it is calculated using the entire population. Also, if there is a large number of retiring residents in an area PCPI will probably be lower since the amount they receive from pensions and/or social security may be less than wages. This would also decrease the amount of TPI while keeping the same population denominator when calculating PCPI.

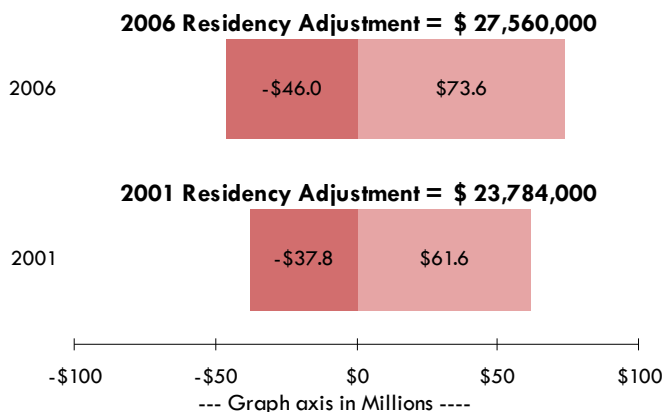
Washburn County, with a high share of older residents, has a higher proportion of transfer receipts (29%) compared with the state and nation (14%). This contributes to both lower TPI and PCPI. In 2006, the PCPI of \$25,095 in Washburn County was only 73 percent of the Wisconsin PCPI of \$34,405. Washburn's PCPI ranked 64th lowest among Wisconsin's 72 counties.

The major component of TPI, net earnings, is a significant factor in the lower PCPI. As mentioned earlier, the lower wages have a major impact on net earnings in Washburn County. While planners and developers strive to increase wages through better paying jobs they can do little to change the overall occupational composition in the county. Large metropolitan areas, not small rural counties, will always attract the higher-paying occupations found in large corporate offices, specialized medical and educational facilities, and financial institutions.

PCPI in Wisconsin's metropolitan counties in 2006 was \$36,430 compared to \$29,022 in nonmetropolitan counties. Washburn's PCPI was 87 percent of the nonmetropolitan PCPI, which presents a more reasonable target for county planners and developers.

Washburn 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