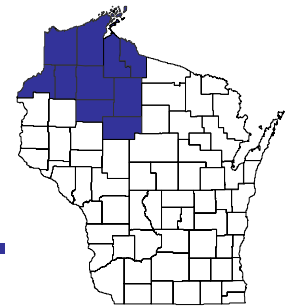


WORKFORCE OBSERVATIONS

for the Northwest Wisconsin Workforce Development Area
Comprising Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk,
Sawyer, Taylor, and Washburn Counties



Workforce Observations are published quarterly by the Office of Economic Advisors,
Wisconsin Department of Workforce Development

SECOND QUARTER 2007

In this issue:

- > Payroll jobs reported by Northwest Wisconsin employers total 68,639 in 2006.
- > Average annual wage for workers in all industries was \$27,653 in 2006.
- > Labor force topped 98,200 participants in 2Q2007.
- > Residents filing unemployment claims slightly below average.

Highlights:

- > The number of jobs declined in 2006 by 595.
- > Annual average wages increased 2.9% in 2006.
- > The Northwest Wisconsin unemployment rate was 6.2% in 2Q2006, higher than one year ago.

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Quarterly Census of Employment and Wages - a Count of Local Jobs in 2006

In 2006 the number of payroll jobs with employers located in Northwest Wisconsin averaged 68,639, based on the Quarterly Census of Employment and Wages (see sidebar, page 2). The 2006 average totaled 595 fewer jobs than in 2005 and was down 673 from the high of 69,312 set in 2004. In 2006 payroll jobs peaked in June at 71,580 after starting the year at 66,489 in January and finishing at 66,345 in December, the year's low point.

Workers in Northwest Wisconsin are accustomed to the peaks and valleys of employer hiring patterns since they follow a similar pattern every year (see chart on page 2). Not all workers, however, are affected by this ebb and flow of jobs. In fact, the increase in jobs in the spring, or the reduction in jobs in the fall, affects fewer than eight percent of all jobholders.

The chart on page 2 also reveals that the number of jobs in 2006 lagged the five-year trend in every month. Not apparent from the

chart is that this downward trend began in 2005 and continued in 2006. The gap between 2006 and the trend widened in late summer and early fall. In July and August 2006 employers in two industry super-sectors; professional and business services, and trade, transportation and utilities; added fewer jobs than usual while a third sector, public administration furloughed more jobs in July and August than is typical.

By late fall job loss accelerated as employers in the leisure and hospitality industry sector postponed filling vacancies. The lack of snow gave skiers and snowmobilers little reason to travel to the area and with fewer tourists employers needed fewer workers.

A year that began with some hope of job regeneration ended with a greater loss of jobs than in any of the last three years. The greatest loss of jobs in 2006 occurred with employers in the large trade, transportation and utilities group. However, most of the 304

(Continued on page 2)

2006 employment and wage distribution by industry in Northwest Wisconsin

	Employment		Total Payroll	
	Annual average	1-year change		
Natural Resources	835	5	\$ 21,845,148	
Construction	3,135	-135	\$ 119,061,839	
Manufacturing	12,830	12	\$ 444,765,270	
Trade, Transportation, Utilities	14,465	-304	\$ 389,085,599	
Information	suppressed	suppressed	suppressed	
Financial Activities	2,416	-14	\$ 68,986,152	
Professional & Business Service	3,112	-234	\$ 94,536,045	
Education & Health	13,778	58	\$ 410,459,851	
Leisure & Hospitality	8,650	26	\$ 98,465,852	
Other services	suppressed	suppressed	suppressed	
Public Administration	6,868	44	\$ 194,071,022	
Not assigned	suppressed	suppressed	suppressed	
All industries	68,639	-595	\$ 1,898,056,826	

Source: WI DWD, Bureau of Workforce Information, Quarterly Census Employment and Wages, June 2007

The Quarterly Census of Employment and Wages (QCEW) reports the number of jobs with employers covered by a state's Unemployment Insurance law. The data is collected when taxes are due (generally at the end of the quarter following the collection period; ie, first quarter payroll is due at the end of the second quarter, plus there is a delay to accommodate late reporting and editing). Fourth quarter 2006 was published June 2007.

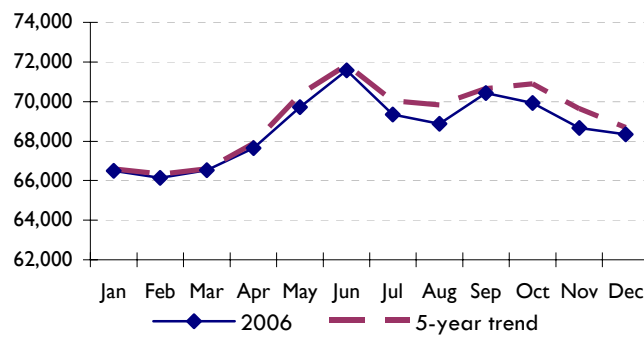
Because QCEW is based on payroll reports every precaution is taken to maintain the confidentiality of employers submitting those reports. If there are fewer than three employers, or if any single employer provides more than 80% of the jobs in an industry, then the data is suppressed. In small counties this produces more suppressed cells and to provide confidentiality to employers in that county the cells cannot be added to larger geographic areas.

The QCEW program is an employer reported measure and therefore associated with filled jobs (full- or part-time) by place of work. If a person holds two jobs the job is counted twice. QCEW includes payroll data and this, divided by the number of jobs, produces average wages. However, since hours are not included in the QCEW data the average wage cannot be used to determine hourly wages.

QCEW is used as the benchmark for current monthly job estimates and is a contributing factor in estimating the number of employed residents in an area. Both QCEW and the monthly job estimate count jobs based on the location of the employer. QCEW includes only jobs covered by UI law whereas the monthly estimate also includes workers not covered by the law who still receive wages such as work-study students, railroad workers, and workers in some religion-based organizations.

The monthly estimate for the number of employed residents in the labor force reports workers by where they live, not where they work (location of employer). In addition to adjusting for where a jobholder lives, the labor force estimate also includes proprietors, the self-employed, and farmers.

Total Payroll Jobs in Northwest Wisconsin



super-sectors is lower in the northwest compared to the state but the greatest disparity in wages occurs for workers in financial activities. Northwest workers earn only 58 percent of the wages earned by financial activities workers statewide and the reason exposes two problems for northwest job-

holders. First, the occupations in this region in financial activities tend to be clerical more often than professional; and clerical wages generally lag professional wages. Second, wages in clerical occupations in the northwest fall short of counterpart occupations in the state. Wages in one industry sector approach wages in the state. Workers in natural resources earned an average of \$26,162 in 2006 which was only eight percent shy of industry average in Wisconsin. Natural resources employers, however, provide less than two percent of the jobs, and payroll, in the region. The largest total payroll, 23 percent of all payroll in Northwest Wisconsin, is paid by employers in the manufacturing sector. Even though the trade, transportation and utilities group has the region's largest share of jobs the total payroll is third largest in the region. Leisure and hospitality jobs comprise about 13 percent of all jobs, on an average

job reduction occurred with retail trade employers who comprise 60 percent of the group's total jobs. The second largest loss of jobs, 234 in professional and business services also bears closer scrutiny since the reduction was the result of a non-economic event. In 2005 a large manufacturing employer was incorrectly coded to this industry sector. In 2006 the correction reassigned nearly 200 jobs to manufacturing.

This also had the unintended consequence of increasing manufacturing jobs in 2006 when, in fact, there was a loss. Mentally shifting jobs from one industry to another is simple math but shifting the payroll associated with those jobs is impossible with available data.

Payroll, used to compute average wages, is another major component of QCEW data. In 2006 the average annual wage, total payroll divided by average employment, in Northwest Wisconsin was \$27,653, well below the state average of \$36,830. The average annual wage for each industry

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(Continued on page 3)

Average annual wage by industry division in 2006

	Average Annual Wage Wisconsin	Average Annual Wage Northwest	Percent of Wisconsin	1-year % change
All industries	\$ 36,830	\$ 27,653	75.1%	2.9%
Natural Resources	\$ 28,301	\$ 26,162	92.4%	0.9%
Construction	\$ 44,682	\$ 37,978	85.0%	8.6%
Manufacturing	\$ 45,952	\$ 34,666	75.4%	2.6%
Trade, Transportation & Utilities	\$ 31,935	\$ 26,898	84.2%	3.7%
Information	\$ 45,704	suppressed	Not avail.	Not avail.
Financial Activities	\$ 48,859	\$ 28,554	58.4%	0.6%
Professional & Business Services	\$ 42,612	\$ 30,378	71.3%	-0.6%
Education & Health	\$ 38,492	\$ 29,791	77.4%	3.1%
Leisure & Hospitality	\$ 13,058	\$ 11,383	87.2%	0.5%
Other Services	\$ 21,228	suppressed	Not avail.	Not avail.
Public Administration	\$ 38,294	\$ 28,257	73.8%	2.7%

Source: WI DWD, Bureau of Workforce Information, Quarterly Census of Employment & Wages, June 2007

nual average, in the northwest region. That proportion ranges from 11.2 percent in the winter months to 15.1 percent in July and August, when tourist traffic peaks.

This data, however, is a census of jobs covered by Wisconsin's Unemployment Insurance law and is one reason why the number of jobs in QCEW is less than monthly estimates produced for other employment series. The advantage of QCEW is that it is a census of employer's payroll and provides more industry detail on jobs.

Monthly job estimates, especially for small areas, are more-commonly published for summary groups of industry sectors but QCEW provides employment data for more-specific industry classifications (as long as it isn't suppressed). For instance, even though the leisure and hospitality group of employers provide a smaller share of jobs in the region, one sub-sector industry, food services and drinking places, ranks third on a list of industries with the greatest employment in the region. In March 2006 there were 5,184 jobs in this industry sub-sector, an increase of 74 jobs over March 2005, a job advantage that expanded during the height of summer travel and ended the year with an average gain of 88 jobs over 2005.

Educational services employment for the northwest region is suppressed because there are fewer than three employers in Iron County. Excluding Iron County, there were approximately 6,280 jobs in March 2006 with education employers in the remaining nine counties of the region, a count that falls shy of the March 2005 level.

In fact, several of the prominent industries on this list show a loss of jobs over the twelve-month period, but only three reveal losses over both the one- and five-year periods. Per-

Prominent industries in Northwest Wisconsin

Industry Sub-sectors (3-digit NAICS)	March 2006	Change in March employment	
		1-year	5-year
Educational Services	*	n.a.	n.a.
Executive, Legislative, & Gen. Government	5,214	107	-27
Food Services & Drinking Places	5,184	74	-6
Wood Product Manufacturing	*	n.a.	n.a.
Nursing & Residential Care Facilities	2,227	-20	-243
Ambulatory Health Care Services	2,096	-16	297
Food & Beverage Stores	*	n.a.	n.a.
Hospitals	1,921	61	143
Truck Transportation	1,752	-53	-137
Machinery Manufacturing	1,682	65	-161
Social Assistance	1,665	n.a.	n.a.
General Merchandise Stores	1,583	89	319
Food Manufacturing	1,437	-107	-60
Merchant Wholesalers, Nondurable Goods	1,342	-34	114
Specialty Trade Contractors	1,297	-122	17

Source: Wisconsin DWD, Quarterly Census of Employment & Wages, June 2007

haps the most surprising reduction is with employers in nursing and residential care facilities. This loss is multi-faceted, resulting from facility closures, budget reductions, conversion of part-time to fewer full-time positions, and the inability of employers to fill vacancies due to lack of applicants.

Wood manufacturing is also suppressed because there are fewer than three employers in Bayfield County. Excluding Bayfield County, there were approximately 4,490 in March 2006 and, at the time, represented an increase in jobs over March 2005. By year's end, however, this changed to fewer jobs as the need for construction materials nationwide declined. Construction locally also tapered off, demonstrated by the reduction in construction jobs, although the loss for the year averaged only 61 fewer jobs.

Job reductions among the area's largest industries is significant since these industries provide roughly 60 percent of all jobs in the northwest region.

Many of the largest sub-sector industries in the region are represented by one of the region's largest employers. This list includes one more level of industry detail. For instance, the largest employer, with several facilities in the ten-county area, is included in the lesser classification of all wood manufacturing. Industries not represented on the list are those that include many small employers, for instance food services and drinking places are generally small but together they provide many jobs.

Largest Employers in Northwest Wisconsin

Employer Name	Product or Service	March 2006 Size range
Weather Shield Mfg Inc	Wood window & door manufacturing	1000+
School District of Superior	Elementary & secondary schools	500-999
Wal-Mart	Discount department stores	500-999
Marathon Cheese Corp	Dairy product merchant wholesalers	500-999
Phillips Plastics Corp	All other plastics product manufacturing	500-999
Memorial Health Center Inc	General medical & surgical hospitals	500-999
Kraft Pizza Company - Tombstone	Frozen specialty food manufacturing	500-999
Jeld-Wen Windows & Doors	Wood window & door manufacturing	500-999
County of Rusk	Executive & legislative offices, combined	250-499
Bad River Band L Superior Chippewa	Tribal governments	250-499
University of Wisconsin- Superior	Colleges & universities	250-499
Indianhead Community Action Agency	Home health care services	250-499
Memorial Medical Center Inc	General medical & surgical hospitals	250-499
C G Bretting Mfg Co Inc	Paper industry machinery manufacturing	250-499
MarquipWardUnited	Paper industry machinery manufacturing	250-499

Source: Wisconsin DWD, Quarterly Census of Employment & Wages, June 2007

Labor Force and Nonfarm Employment Estimates for Northwest Wisconsin

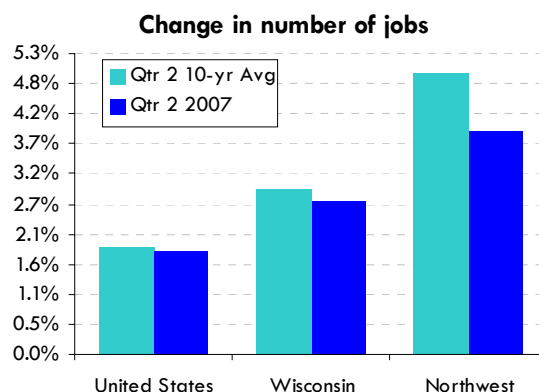
Labor force estimates for the northwest region rose in second quarter 2007, as did the number of residents with jobs. The increase in the number of employed residents of 1,861 was 485 more than the reduction in unemployed in the northwest region and reflects the return to seasonal work for many jobholders. Eight of the ten counties, except Iron and Rusk, followed this pattern. All counties posted lower

unemployment rates compared with first quarter 2007 but seven of the region's counties had a higher rate than in 2Q2006.

Even though workers were finding jobs the increase this spring did not match the pace set over the previous ten years. An increase of 3.9 percent in the number of jobs with local employers during 2Q2007 out-paced increases both

in the state and nation due to seasonal recalls that occur in greater abundance in this region. The largest job gains occurred with leisure and hospitality employers who added over 1,100 jobs, followed by an increase of 633 jobs with construction and natural resources employers.

Northwest Wisconsin	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006
Labor force	98,266	97,781	97,749
Employed residents	92,156	90,296	91,872
Unemployed residents	6,109	7,485	5,877
% unemployed	6.2	7.7	6.0
Total Nonfarm jobs	73,393	70,617	73,454
Const/Min'g/Nat. Resources	3,547	2,915	3,739
Manufacturing	13,358	12,986	12,709
Trade	10,341	10,223	10,658
Transportation & Utilities	3,302	3,283	3,445
Financial Activities	2,657	2,527	2,514
Education & Health Services	9,467	9,327	9,187
Leisure & Hospitality	8,568	7,449	8,145
Info, Prof/Bus.Srv, Othr Srv.	6,998	7,124	7,590
Total Government	15,155	14,783	15,467



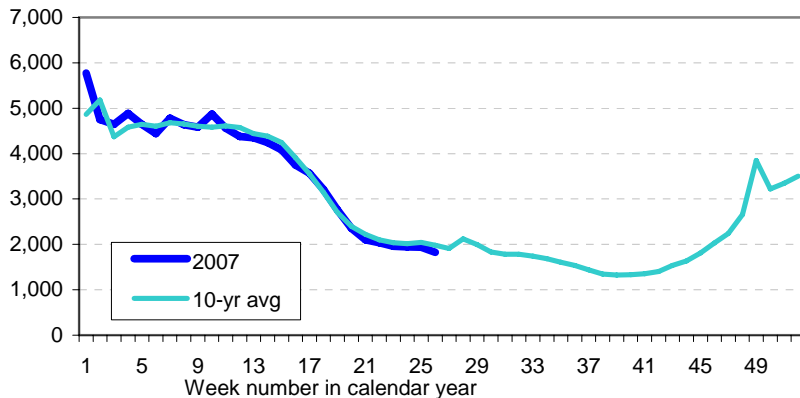
(Not seasonally adjusted)	Ashland			Bayfield			Burnett			Douglas			Iron		
	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006
Labor force	9,575	9,250	9,483	8,502	8,361	8,329	8,659	8,608	8,556	23,214	23,105	23,023	3,104	3,311	3,162
Employed residents	8,982	8,616	8,840	7,942	7,619	7,817	8,102	7,898	8,061	22,000	21,694	21,883	2,847	2,972	2,901
Unemployed residents	593	634	643	560	742	512	557	710	495	1,214	1,410	1,140	257	339	261
% unemployed	6.2	6.9	6.8	6.6	8.9	6.1	6.4	8.2	5.8	5.2	6.1	5.0	8.3	10.2	8.3
Total Nonfarm jobs	9,615	9,039	9,339	4,326	3,914	4,201	5,369	5,069	5,349	16,545	16,424	16,952	1,937	2,040	2,082
Const/Min'g/Nat. Resources	615	459	564	249	214	239	147	160	240	768	701	897	227	188	256
Manufacturing	1,377	1,308	1,332	199	178	174	851	845	949	1,562	1,380	1,297	238	265	289
Trade	956	927	989	662	551	542	679	632	673	2,816	2,874	2,974	350	361	368
Transportation & Utilities	251	231	272	83	82	107	164	150	131	1,813	1,816	1,902	57	59	50
Financial Activities	352	331	326	175	162	163	212	185	183	597	565	544	40	52	52
Education & Health Services	1,783	1,746	1,755	364	347	349	621	614	620	1,990	2,016	1,963	264	263	266
Leisure & Hospitality	900	797	897	912	769	891	659	541	617	2,381	2,200	2,293	273	355	288
Info, Prof/Bus.Srv, Othr Srv.	1,279	1,188	1,113	379	346	387	434	410	426	1,526	1,683	1,953	104	124	136
Total Government	2,102	2,053	2,091	1,303	1,265	1,349	1,603	1,532	1,510	3,092	3,188	3,129	384	373	378

(Not seasonally adjusted)	Price			Rusk			Sawyer			Taylor			Washburn		
	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006	Qtr 2 2007	Qtr 1 2007	Qtr 2 2006
Labor force	8,620	8,581	8,683	7,557	7,954	7,888	9,915	9,400	9,396	10,932	11,046	11,033	8,188	8,166	8,196
Employed residents	8,135	8,071	8,069	6,990	7,181	7,338	9,246	8,561	8,791	10,299	10,188	10,484	7,615	7,496	7,687
Unemployed residents	485	510	614	567	773	550	670	839	604	633	858	549	573	670	509
% unemployed	5.6	5.9	7.1	7.5	9.7	7.0	6.8	8.9	6.4	5.8	7.8	5.0	7.0	8.2	6.2
Total Nonfarm jobs	6,838	6,661	6,669	5,637	5,657	5,966	8,019	7,210	7,510	8,936	8,728	9,100	6,172	5,874	6,286
Const/Min'g/Nat. Resources	272	213	224	138	140	180	391	321	410	566	343	501	175	176	229
Manufacturing	2,575	2,545	2,203	1,959	1,945	1,972	828	770	652	2,626	2,690	2,764	1,143	1,060	1,078
Trade	783	800	842	438	538	642	1,240	1,190	1,230	1,520	1,456	1,432	897	892	966
Transportation & Utilities	81	80	78	191	171	174	91	103	104	318	349	392	253	243	235
Financial Activities	204	209	213	150	145	146	361	331	333	333	322	324	234	223	230
Education & Health Services	991	982	964	592	601	595	890	804	748	1,084	1,060	1,037	888	894	889
Leisure & Hospitality	436	372	415	351	346	348	1,408	998	1,178	578	513	540	671	559	677
Info, Prof/Bus.Srv, Othr Srv.	597	587	605	697	639	639	543	594	701	914	1,037	1,077	524	517	554
Total Government	899	874	1,125	1,121	1,132	1,270	2,268	2,099	2,155	997	958	1,032	1,387	1,309	1,427

Current quarter preliminary. Estimates based on March 2006 benchmark.

The Workforce Album: Second Quarter, 2007

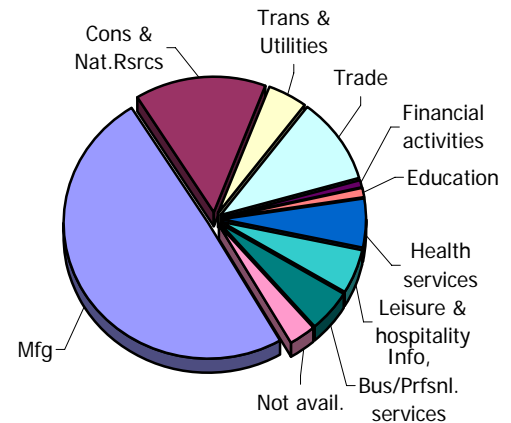
Northwest Wisconsin Weekly Claims for Unemployment Benefits



Source: DWD, Unemployment Compensation Division

- > The number of residents filing claims for unemployment compensation benefits declined during 2Q2007 as seasonal jobholders returned to work.
- > The number of claims dropped from 4,245 for the first week in April to 1,828 by the end of June. The quarter ended under last year's count of 1,946 for the same week.
- > Half of all initial claims were from manufacturing workers and another 15 percent from construction workers. The share of claims from these two industries remains high even though the number is nearly half of first quarter's count.

Initial Claims for Unemployment Benefits by Industry in Qtr 2 2007 in Northwest Wisconsin



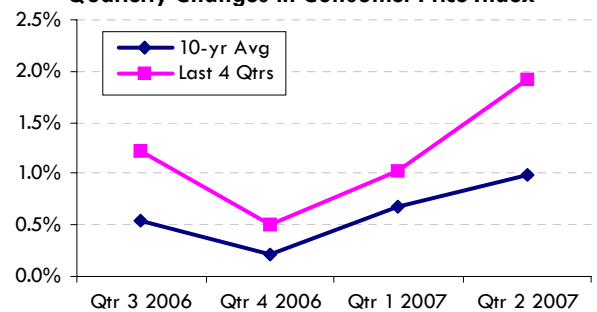
- > The Consumer Price Index (CPI), after increasing 0.6 percent in April and May, rose only 0.2 percent in June. The heftier increases in April and May pushed the average for second quarter 2006 up 1.9 percent from first quarter and 2.7 percent over the year.
- > Prices for gasoline declined 1.1 percent in June helping to ease overall energy costs. The break at the gas pump moved to lower inflation in spite of a rise of 0.5 percent in food costs.
- > Employer compensation costs for civilian workers increased 0.8 percent from March to June 2007, up slightly from the change during the previous quarter.
- > Second quarter cost increases for private sector employers outpaced increases of local and state governments.

Consumer Price Index - All items (not seasonally adjusted)	Change over previous quarter & over year				
	Qtr 3 2006	Qtr 4 2006	Qtr 1 2007	Qtr 2 2007	Qtr 2 2006
United States	1.2%	0.5%	1.0%	1.9%	2.7%
Midwest cities (50,000-1.5 million pop.)	0.1%	-0.7%	0.9%	2.3%	2.5%
Midwest cities (less than 50,000 pop.)	0.9%	-1.6%	0.9%	2.4%	2.5%

Employment Cost Index (not seasonally adjusted)	Change over previous quarter & over year				
	Qtr 3 2006	Qtr 4 2006	Qtr 1 2007	Qtr 2 2007	Qtr 2 2006
Civilian total compensation	1.1%	0.6%	0.9%	0.8%	3.5%
Private industry total compensation	0.8%	0.7%	0.8%	0.9%	3.2%
Local & state govt. total compensatio	2.3%	0.9%	1.0%	0.6%	4.6%
Civilian wages	1.1%	0.6%	1.1%	0.7%	3.6%
Private wages	0.8%	0.7%	1.1%	0.8%	3.6%
Local & state government wages	2.0%	0.7%	0.6%	0.5%	3.8%
Civilian benefits	1.2%	0.8%	0.4%	1.1%	3.1%
Private industry benefits	0.8%	0.6%	0.1%	1.1%	2.2%
Local & state government benefits	2.8%	1.1%	1.7%	0.9%	6.3%

Source: US Bureau of Labor Statistics

Quarterly Changes in Consumer Price Index



Quarterly Changes in Employment Cost Index

