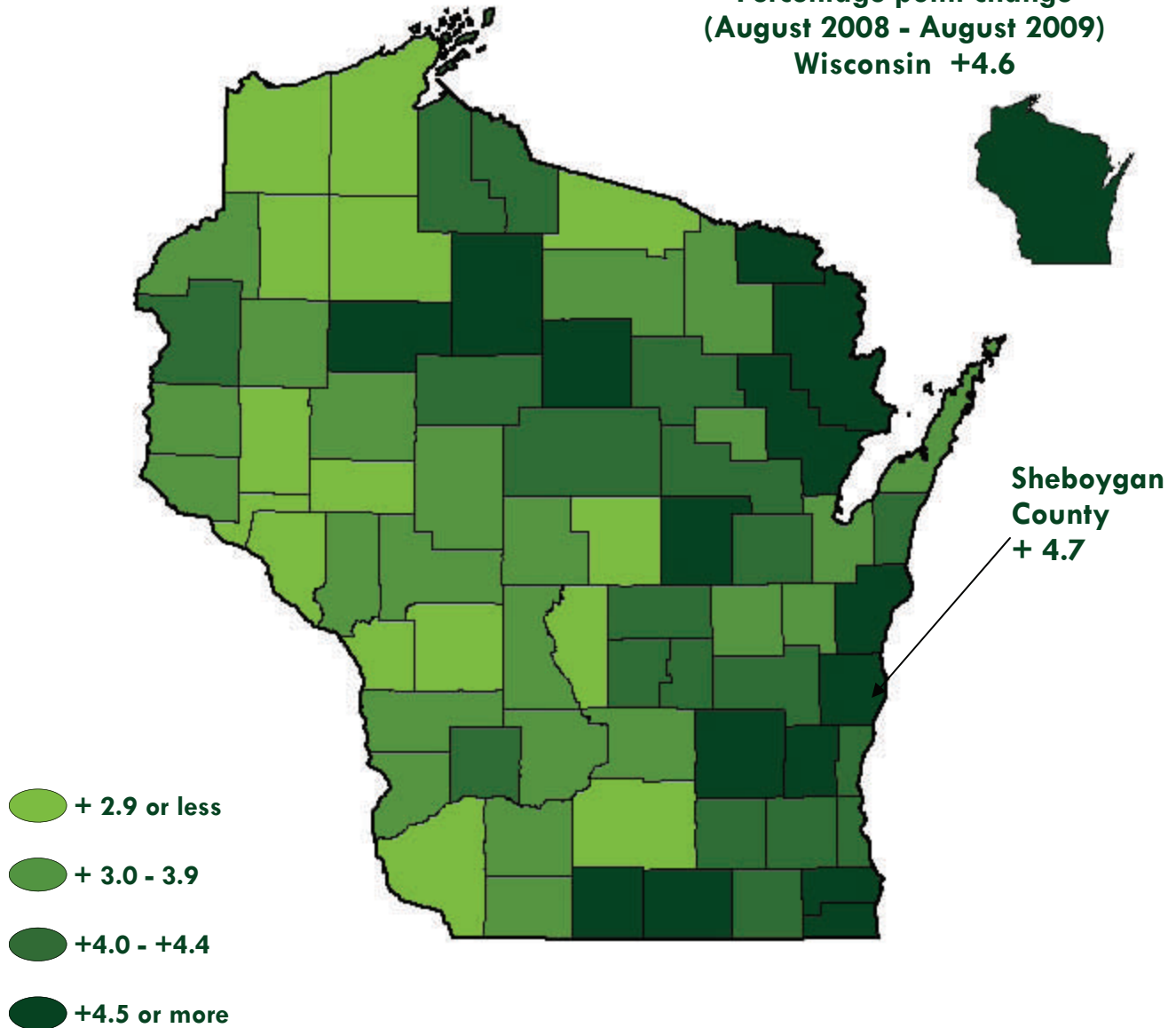


Sheboygan County Workforce Profile 2009

Unemployment Rate Increases

Percentage point change
(August 2008 - August 2009)

Wisconsin +4.6



Note: This year's County Workforce Profile has a slightly different layout. The first two pages give a brief synopsis of the recession, the worst by most measures since the Great Depression. We would be remiss if this publication didn't recognize and report on it. More information about the stages of the recession can be found on our website: <http://dwd.wisconsin.gov/oea/>. In the subsequent pages of the Profile, readers will find the figures and analysis they depend on. If you have any questions or comments, please don't hesitate to contact us.

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OEA-10654-P



Wisconsin Department of Workforce Development

Sheboygan County Workforce Profile

Sheboygan County



Note: All data appearing in this profile are subject to revision.

The Big Picture

As this piece of the profile is written in mid-September 2009, the economic recovery appears to be underway. It is expected that the trough of the recession will be registered in the third quarter of 2009 when it is finally decided by the National Bureau of Economic Research (NBER) in about a year from now. It is the NBER that pegged the beginning of the recession at December 2007. This recession will be documented as the longest recession since the Great Depression of the early 1930s. This 2007 recession has lasted more than twenty months, twice the length of the average post-war recession.

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

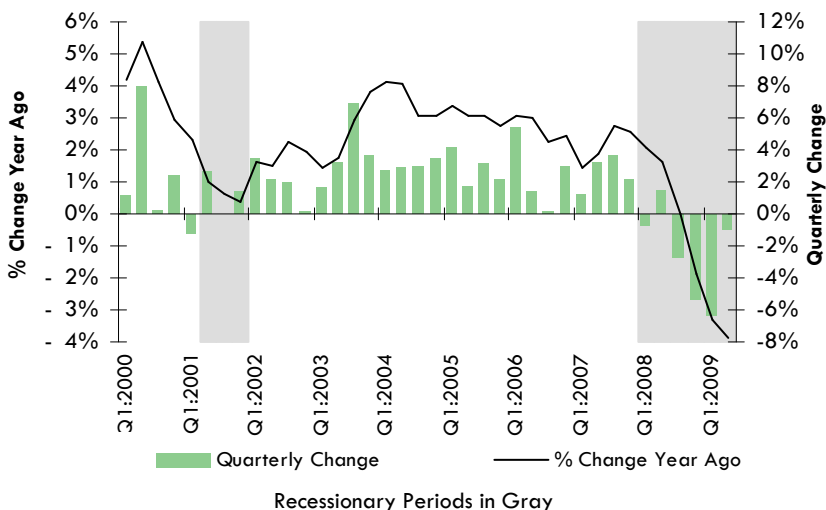
large a GDP loss as did the back-to-back quarters of Q4 2008 and Q1 2009, one was Q1 of 1958 and the other was Q2 in 1980. This is the first time that the economies of the U.S. and Japan were in recession at the same time. In fact, it was the first time since WWII that aggregate global economic growth turned negative.

Why was this recession so bad? There were two downturns, one on top of the other. The first one started in December 2007 and was an economic recession, based on falling demand for housing construction. The second began in earnest in September 2008 and was a financial crisis, based on weak underlying supports (housing) of new unregulated financial tools and products. The first downturn led to the second. They are now interdependent. Volumes will be written on this great recession of 2007. A brief synopsis follows here.

Low interest rates and incentives led to a wave of debt-based asset accumulation — buying stuff on credit: homes, businesses, cars, vacations. A home buying spree ensued as did commercial debt-financed acquisitions. Housing developers responded with enthusiasm. Lenders, with the help of the federal government, did their part to make home ownership more accessible. Early on, housing supply could not keep up with demand and housing prices increased. In parallel, global economic gains swelled stock market values.

Debt was cheap and highly utilized across all sectors of the economy around the world. The financial industry created new tools to extend and diversify the new debt loads, many based on home mortgage debt.

Real GDP Growth 2000 Q1 - 2009 Q2



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, July 2009

The Big Picture Cont.

These new tools — derivatives — were unregulated, off-exchange transactions between individual parties.

When housing became over supplied and prices began to adjust (fall), mortgage defaults increased, and it was discovered that the newly created financial products were under-collateralized. More important perhaps, the issuers of debt insurance were hugely under capitalized (short of money to pay out claims). When the homeowner couldn't pay and the insurer couldn't pay, the lenders faced gigantic losses — a financial crisis. The crisis quickly spread as financial markets are highly integrated worldwide.

At present, global financial and political institutions continue to work on repairing the financial wreck. With cash and credit being the grease that lubricates the global economic engine, the rapidity and robustness with which the economy recovers is dependent on the speed and strength of the financial markets fix.

The severity of this recession affected employment in a commensurate manner. Wisconsin's unemployment rate increased from a seasonally adjusted 4.5 percent in December of 2007, when the recession began, to 8.8 as of August 2009, almost doubling over the period. Wisconsin

The Current Employment Landscape

Wisconsin lost 137,000 jobs during this downturn, almost 5 percent of its job base since the recession began in December 2007, on a seasonally adjusted basis. All sectors suffered job losses with the exception of health care.

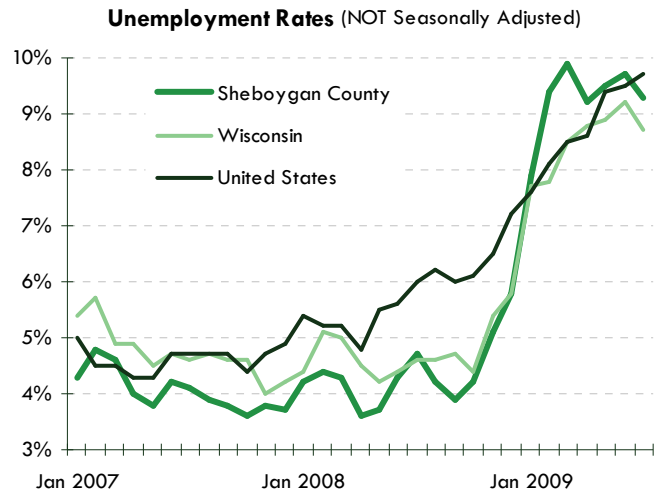
The manufacturing sector lost 13 percent of its jobs statewide during this recession, some 66,000 on a seasonally adjusted basis. All of the upper Midwest major manufacturing states took a beating in this business cycle. Especially hard hit were Michigan, Indiana, and Ohio, due to the collapse of the auto industry. With large manufacturing job losses in Indiana, Wisconsin became the leader in the share of its workers employed in manufacturing.

Construction, which was the first industry to be affected with the housing turn that began in Wisconsin in 2006, lost 16 percent of its jobs since December 2007, and almost 20 percent since its peak in February of 2006. Professional and Business Services also lost more jobs on a percentage basis than the state average, 8.9 percent. Other sectors lost jobs as well, but were not impacted quite as severely as those above. Leisure and Hospitality, for example, lost 1.4 percent of its jobs.

Employment recovery always lags economic recover. Following recessions since WWII, the economic upswings led job gains by nine to nineteen months. After the 2001

last reached an unemployment rate peak of 11.8 percent in January of 1983, after the harsh recession of 1981-82.

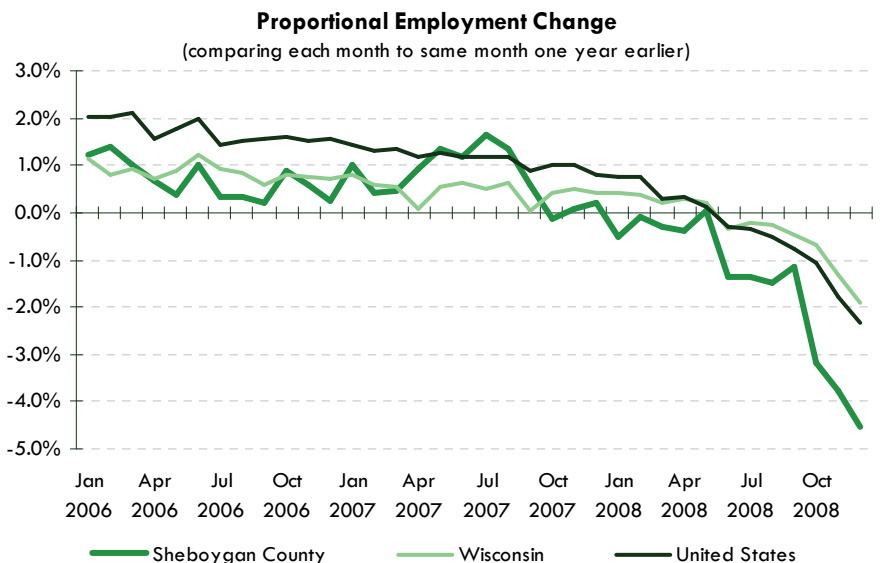
The graph below shows a comparison of county, state, and national unemployment



Source: U.S. Bureau of Labor Statistics, CPS, LAUS, 2009

recession, it took Wisconsin twenty-six months before job numbers began to increase again on a sustained basis. It was fifty months before the state's job levels recovered to pre-2001 recession levels. Job recovery following the current recession is expected to be slow as well. Consumers are not expected to be the driving sector in the economic recovery, as the huge destruction in home and financial equity wealth will force an increased proclivity for savings instead of consumption.

The chart below is a comparison of employment change.



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2009

Population

Sheboygan County continued to experience modest population growth in 2008, a trend that has been fairly consistent throughout the decade. The county's population increased by just over 4,800 residents, or 4.3 percent between 2000 and 2008. This growth rate is significantly less than Wisconsin's rate of 5.8 percent or the national growth rate of 8.0 percent over this same period. The reasons for the disparity between these rates will be discussed below, but is largely indicative of the ongoing competition between communities and counties in the region of new residents.

While some population growth is to be anticipated in any area, for a number of reasons, what is perhaps most interesting is where this growth is occurring. The population of the dominant municipality in the county — the City of Sheboygan — decreased by just over 200 residents over the past eight years. In the meantime, the population of many of the county's smaller municipalities experienced significant growth. Both Sheboygan Falls and Howards Grove experienced population increases of over 10 percent and the Town of Sheboygan's population has increased by over 1,300 residents, or 22.5 percent.

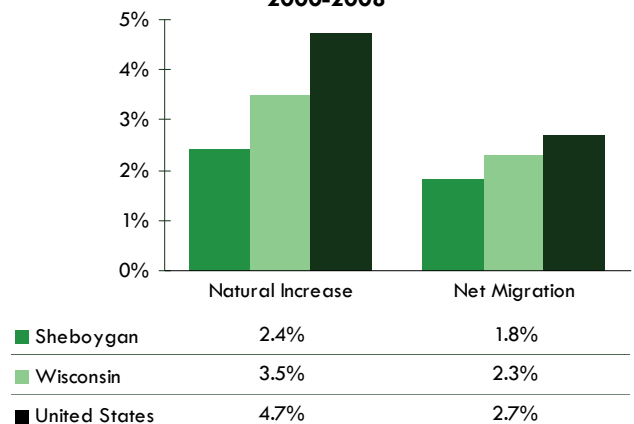
It has been suggested that population growth in Sheboygan County has been constrained due to intense regional competition for new residents. The extent of this competition is illustrated in the components of regional population change. While the natural increase in the county's population is fairly robust, net migration lags significantly behind the state and national rate, meaning that fewer new residents are moving in from other regions.

Sheboygan County's Ten Most Populous Municipalities

	April 1, 2000 Census	Jan 1, 2008 Estimate	Numeric Change	Proportional Change
United States	281,421,906	304,059,724	22,637,818	8.0%
Wisconsin	5,363,715	5,675,156	311,441	5.8%
Sheboygan County	112,656	117,472	4,816	4.3%
Sheboygan, City	50,792	50,580	- 212	- 0.4%
Plymouth, City	7,781	8,420	639	8.2%
Sheboygan Falls, City	6,772	7,501	729	10.8%
Sheboygan, Town	5,874	7,195	1,321	22.5%
Wilson, Town	3,227	3,537	310	9.6%
Plymouth, Town	3,115	3,296	181	5.8%
Howards Grove, Village	2,792	3,095	303	10.9%
Lima, Town	2,948	2,963	15	0.5%
Oostburg, Village	2,660	2,905	245	9.2%
Greenbush, Town	2,619	2,616	- 3	- 0.1%

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

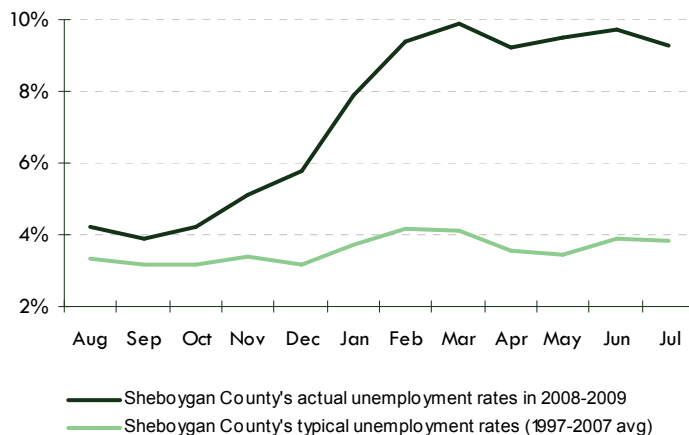
Components of Population Change, 2000-2008



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

County Unemployment Rate Situation

Sheboygan County's Typical & Current Unemployment Rates



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

The lagging impact of employment growth and decline is one of the distinctive, but least understood aspects of general economic cycles. This publication has already suggested a number of reasons for the lagged nature of this key indicator, but its impact is most clearly illustrated in the chart at left. The lower of the two trendlines represents a 10-year monthly average of unemployment rates from 1997 to 2007. This trendline shows some fluctuation over the course of the year, reflecting seasonal adjustments in a number of key industries. If we compare this "typical" pattern to that experienced beginning in the third quarter of 2008, we see that the region witnessed a period of rapid job losses through the first quarter of 2009, and again stabilizing at a new, higher level as the year progresses. This pattern is fairly indicative of employment trends in periods of economic recession.

Jobs & Wages

Sheboygan County	First Quarter Employment		Second Quarter Employment		Third Quarter Employment		Fourth Quarter Employment	
	2008 level	2007-2008 change	2008 level	2007-2008 change	2008 level	2007-2008 change	2008 level	2007-2008 change
All industries	60,819	- 0.3%	62,704	- 0.6%	62,058	- 1.3%	59,772	- 3.8%
Natural Resources	447	1.6%	499	5.9%	540	9.8%	539	4.7%
Construction	2,339	- 4.4%	2,542	- 2.9%	2,604	- 3.8%	2,399	- 8.7%
Manufacturing	22,260	- 2.9%	22,423	- 3.4%	22,417	- 5.0%	20,507	- 9.8%
Trade, Transport. & Utilities	9,346	0.0%	9,767	3.4%	9,653	2.9%	9,683	1.7%
Information	355	- 5.8%	353	- 10.6%	350	- 10.5%	365	- 1.6%
Financial Activities	2,383	- 1.9%	2,404	- 1.6%	2,412	- 1.2%	2,393	0.2%
Prof. & Business Services	4,596	12.9%	4,877	7.1%	4,863	6.8%	4,342	- 1.9%
Education & Health	11,116	- 0.3%	11,207	- 0.3%	10,069	- 0.1%	11,382	0.5%
Leisure & Hospitality	4,598	1.6%	5,228	0.7%	5,646	0.1%	4,750	- 1.7%
Other Services	1,803	- 0.4%	1,807	- 6.4%	1,840	- 9.0%	1,783	- 3.9%
Public Administration	1,576	5.6%	1,597	2.4%	1,663	5.1%	1,630	5.1%

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

The pattern of constant job loss associated with the current economic recession was not restricted to a particularly industry sector, as suggested in the chart above. Yet, not all sectors are necessarily created equal, as the timing of losses varied across several of the most significant industry sectors. Total industry employment declined by just over 1,000 positions from the first quarter to the fourth quarter of 2008, suggesting that the health of the region's labor market was showing signs of decline. Industries experiencing net losses during this same period included manufacturing (-1,753) and professional and business services (-254), while all other industry sectors demonstrated some growth.

There are a number of conditions that must be attached to this analysis, however. First, with the exception of five sectors — natural resources, trade, transportation, and utilities, financial activities, education and health services, and public administration, fourth quarter 2008 employment was significantly lower than that of the same period in 2007. This suggests that industry employment had generally stagnated and was beginning to decline. Second, and per-

haps most importantly, we must reemphasize the losses in manufacturing, which is far and away the county's largest industry sector. Finally, we must remember that the most significant job losses occurred in the fourth quarter of 2008 and first quarter of 2009, so this chart only tells part of the story.

Looking now at average annual wages in Sheboygan County's industry sectors, we see that wages increased in every industry sector except for professional and business services in 2008. Every industry sector's annual average wage continues to lag behind the state average, however, even as regional increases eclipsed state growth in many industry sectors in the past year.

Sheboygan County	Sheboygan County Annual Average Wage			Wisconsin Annual Average Wage	
	2008 level	2007-2008 change	As a share of Wisconsin	2008 Level	2007-2008 change
All industries	\$37,831	2.0%	96.6%	\$39,169	2.9%
Natural Resources	\$23,447	3.0%	75.1%	\$31,227	6.8%
Construction	\$44,681	5.3%	90.0%	\$49,658	4.6%
Manufacturing	\$46,907	2.1%	97.5%	\$48,116	2.1%
Trade, Transport. & Utilities	\$30,163	3.1%	89.8%	\$33,604	2.6%
Information	\$33,677	4.8%	67.6%	\$49,838	2.8%
Financial Activities	\$49,388	6.2%	95.0%	\$52,008	2.5%
Prof. & Business Services	\$31,782	- 3.7%	70.4%	\$45,114	1.8%
Education & Health	\$40,661	4.1%	98.6%	\$41,222	4.1%
Leisure & Hospitality	\$12,463	4.3%	88.4%	\$14,102	3.8%
Other Services	\$15,244	4.6%	67.4%	\$22,628	2.5%
Public Administration	\$41,112	0.1%	100.2%	\$41,040	2.9%

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



Jobs & Wages

Prominent Industries in Sheboygan County

Industry Sub-sectors (3-digit NAICS)	Fourth Quarter Employment			Average Annual Wage		
	2008 Level Sheboygan County	Change 2007- 2008 Sheboygan County	Change 2007- 2008 Wisconsin	2008 Wage Sheboygan County	Change 2007- 2008 Sheboygan County	Change 2007- 2008 Wisconsin
Fabricated metal product manufacturing	*	not avail.	- 2.8%	\$52,017	4.5%	4.2%
Education services	4,202	0.8%	1.8%	\$36,930	3.5%	4.0%
Food services & drinking places	3,279	- 1.9%	- 2.2%	\$9,711	1.8%	2.1%
Plastics & rubber products manufacturing	3,064	- 6.2%	- 3.9%	\$38,547	0.6%	- 0.1%
Ambulatory health care services	2,884	- 0.6%	2.3%	\$64,020	8.5%	4.7%
Food manufacturig	2,603	0.4%	- 0.6%	\$52,950	2.3%	2.9%
Administrative & support services	2,290	- 6.2%	- 8.4%	\$13,904	- 11.8%	2.1%
Nursing & residential care facilities	2,166	11.1%	2.8%	\$23,085	- 1.3%	3.5%
General merchandise stores	1,797	15.3%	0.3%	\$18,370	1.7%	2.5%
Specialty trade contractors	1,549	- 11.2%	- 9.8%	\$42,358	4.6%	3.8%

* Data suppressed to protect employer confidentiality.

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

One of the distinguishing characteristics of economic change in a diversified regional county is that change is not consistent over all industry sectors and sub-sectors. This is particularly true in Sheboygan County, as depicted in the chart above. The first thing we see is that industry growth is focused in a number of service-related industries, including education services (0.8 percent), nursing and residential care facilities (11.1 percent), and general merchandise stores (15.3 percent), and a single manufacturing subsector — food manufacturing (0.4 percent). Many of these patterns go against the grain of statewide trends and are therefore reflective of unique local conditions.

At the same time, a number of large industry subsectors, including plastics and rubber products manufacturing, administrative and support services, and specialty trade contractors experienced significant job losses. The disparity between industry gainers and losers again suggests that

the Sheboygan County economy is both mature and highly diversified. This fact is further reflected in an analysis of the most prominent employers of the county.

Turning our attention from industry subsector employment to annual average wages, we see that wage growth in 2008 was generally consistent with state trends, with a few notable exceptions. Average wages in the ambulatory health care services subsector increased by nearly twice the state growth rate. At the same time, however, average wages in the administrative and support services industry subsector decreased by nearly twelve percent while the subsector’s average wage increased by two percent throughout the state. Similarly, average annual wages in nursing and residential care facilities decreased in Sheboygan County while growing throughout the state.

We see that a number of major regional and national concerns are represented among Sheboygan County’s prominent employers. Two of the three largest employers

— Kohler Company and Bemis Manufacturing — are international leaders in their respective industry sectors. Sargento Foods and Johnsonville Sausage are likewise nationally-respected firms, as is Acuity Mutual Insurance.

Prominent Public and Private Employers in Sheboygan County

Establishment	Service or product	Number of Employees (December 2008)
Kohler Co	Enameled iron & metal sanitary ware mfg	1,000+ employees
Sheboygan Area School Dist	Elementary & secondary schools	1,000+ employees
Bemis Manufacturing Company	All other plastics product manufacturing	1,000+ employees
Aurora Medical Group Inc	Offices of physicians, exc. mental health	500-999 employees
County of Sheboygan	Executive & legislative offices, combined	500-999 employees
Wal-Mart Associates Inc	Discount department stores	500-999 employees
Sargento Foods Inc	Cheese manufacturing	500-999 employees
Johnsonville Sausage LLC	Meat processed from carcasses	500-999 employees
Aurora Health Care Central Inc	General medical & surgical hospitals	500-999 employees
Acuity, A Mutual Insurance Co	Direct property & casualty insurers	500-999 employees

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

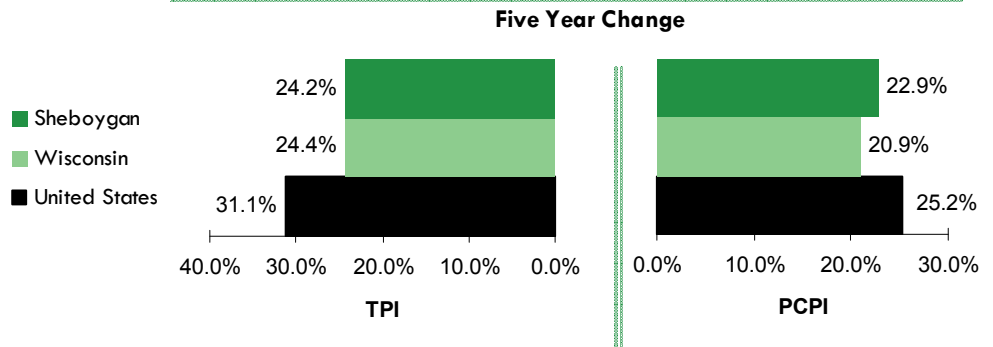
Income

We have noted throughout this publication that a number of factors have contributed to the current economic recession, including a weakening in the national housing market and a number of shocks in national and international financial markets. We have also suggested that these factors have contributed to weakness in the region's labor force and employment markets. While the linkage between global and national forces and the regional economy is fairly clearly established, one piece of the puzzle is missing.

The picture can be completed by examining changes in regional income trends, as suggested by the charts presented on this page. As we see, personal income is usually presented apart from employment and wages, as wages and salaries are only a component of total personal income, which also includes investment earnings and transfer payments, such as unemployment insurance and social security retirement benefits. The 2007 total personal income (TPI) of Sheboygan County was \$4.3 billion. This level represents a 24.2 percent increase from 2002, an increase that is roughly equivalent to state TPI growth during this same period. This growth lagged significantly behind the national growth rate of the same period of 31.1 percent. While a discussion on the reasons for this disparity are beyond the constraints of this publication, it is worth noting that differences in regional industry compositions, including the strong influence of manufacturing industries, has been suggested as one possible explanation.

An analysis of TPI presents a solid overview of the general wealth of the economy. To gain a more nuanced perspective, we must reexamine personal income at the per capita level (PCPI). Sheboygan County's 2007 PCPI was \$37,736, or nearly 23 percent greater than 2002. This growth rate falls in the middle of state (20.9 percent) and national growth (25.2 percent). The local PCPI is also significantly greater than the state figure of just over \$36,000, but less than the national average. One factor contributing to this disparity is the generally slow population growth rate within the county, which has emphasized a greater concentration of wealth. Similarly, it is important to remember that the average cost of living in Sheboygan County and the state, as a whole, is well below the national average, suggesting that one's dollar "goes further" in the region than elsewhere.

Personal Income in Sheboygan County				
	Total Personal Income (in thousands)		Per Capita Personal Income (PCPI)	
	2002	2007	2002	2007
Sheboygan	\$3,469,211	\$4,309,677	\$30,713	\$37,736
Wisconsin	\$163,308,733	\$203,083,544	\$29,994	\$36,272
United States	\$8,872,871,000	\$11,634,322,000	\$30,838	\$38,615



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

One final aspect of income and wages that must be assessed is the role of regional commuting patterns in affecting local income dynamics. In 2007, local residents effectively "imported" nearly \$364 million in income by working in other counties, while residents of neighboring counties "exported" nearly \$409 million through wages earned from Sheboygan County employers, creating an effective commuting "deficit" of \$45 million. This figure is \$9 million greater than 2002, and points to an increase in the regional connectivity of Sheboygan County and its neighbors. As many of the county's major industries are relatively large as compared to those present in the region, yet smaller than those in the neighboring Milwaukee-Waukesha MSA, it is expected that employers and workers will continue to compete for employment and wages.

Sheboygan County Commuting Impact



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