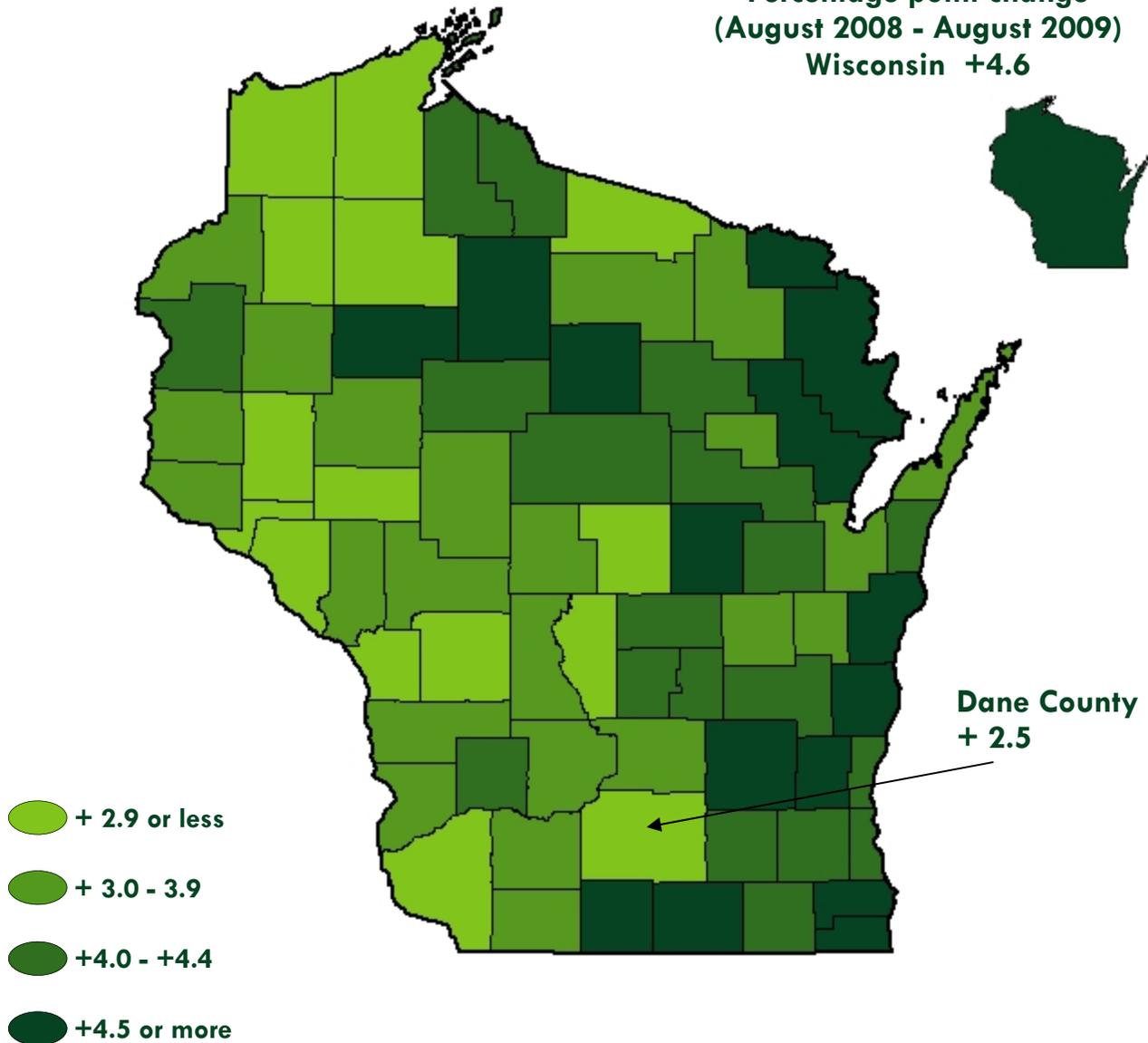


Dane County Workforce Profile 2009

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.

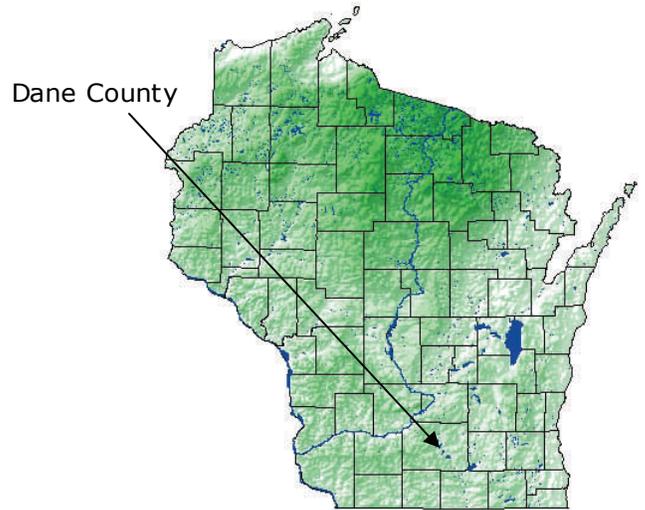
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OEA-10654-P



Wisconsin Department of Workforce Development

Dane County Workforce Profile



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.

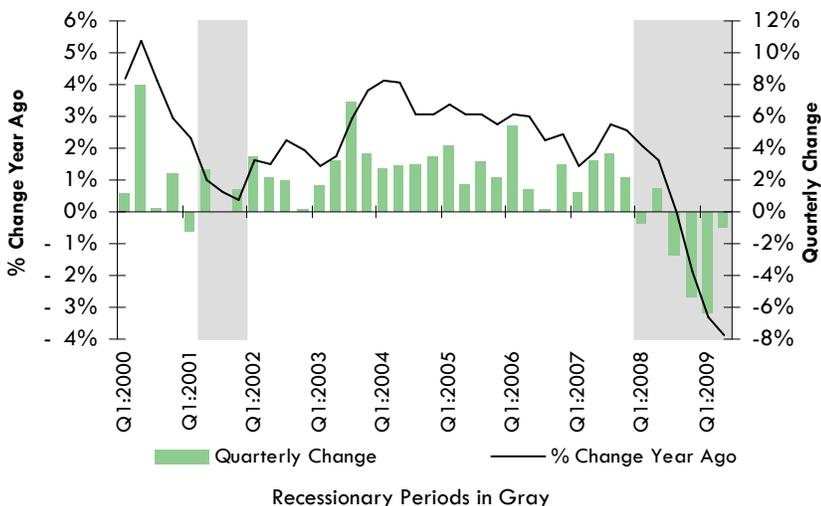
How bad was this downturn? Bad. Real GDP growth was negative for four quarters in a row. That has never happened before in quarterly data dating back to 1947. Only two quarters in the last fifty-three years suffered as

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 are 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.

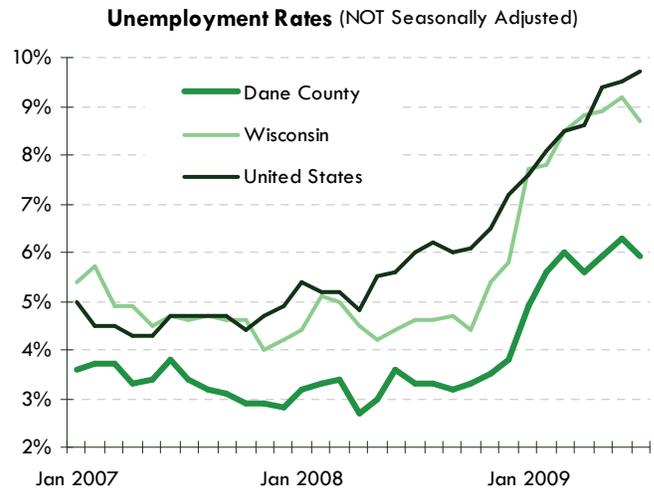
The manufacturing sector lost 13 percent of its jobs statewide during this recession, some 66,000 on a seasonally adjusted basis. All of the upper Midwest major manufacturing states took a beating in this business cycle. Especially hard hit were Michigan, Indiana, and Ohio, due to the collapse of the 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 recovery. 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.

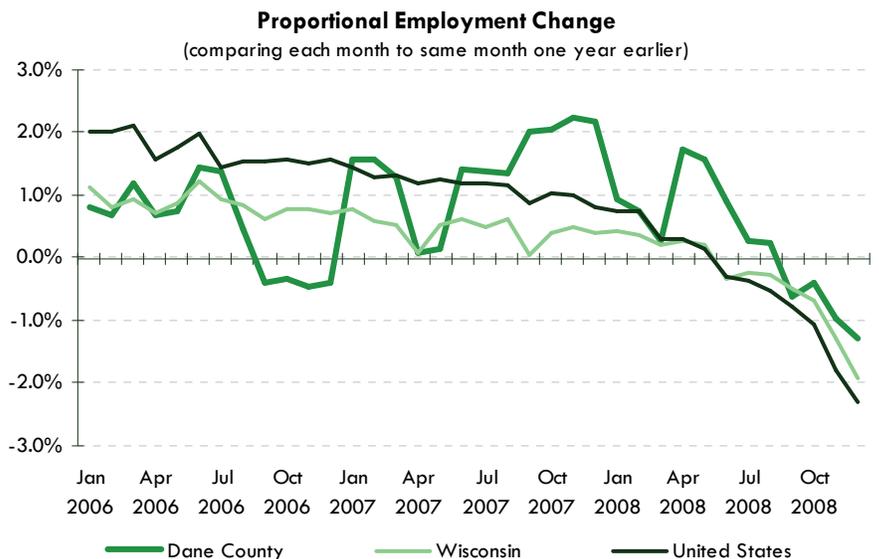
The graph below shows a comparison of county, state, and national unemployment rates through the recession.



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

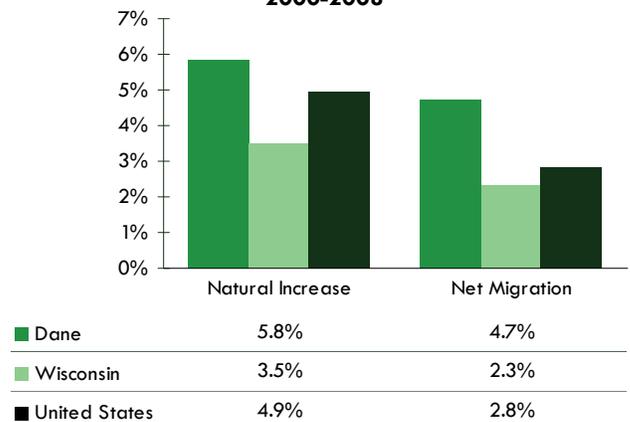
The population table to the right suggests two characteristics that we will see throughout this profile: Dane County is dynamic and diverse. The dynamism shows through in the county's population growth rate (10.6 percent), which is a good deal faster than the statewide rate (5.8 percent) or the national rate (7.8 percent). The diversity becomes evident when we compare the slower population growth in well-established, space-restricted communities to the faster growth in the newer developments - when we contrast the City of Monona (2.2 percent) and the City of Stoughton (4.1 percent) with the Village of Waunakee (23.5 percent) and City of Sun Prairie (26.7 percent). The City of Verona annexed part of the Town of Verona, so part of the City's population increase reflects the redrawing of the border rather than an increase of residents who are actually new to the area through birth or migration.

Population change consists of two components. The first is called natural change and it is the difference between births and deaths. Birth trends and death trends tend to be fairly stable and predictable. The resulting natural change trends are therefore reliable. The second component of population change is net migration and it is the difference between people moving in and people moving out. In several Wisconsin counties, population change is dominated by more-volatile net migration. In addition to being a smaller share of population change, Dane County's net migration is also less likely to swing dramatically because factors drawing people in (a concentration of people and jobs, an education cluster, and one of the

Dane County's Ten Most Populous Municipalities				
	April 1, 2000 Census	Jan 1, 2008 Estimate	Numeric Change	Proportional Change
United States	281,421,906	303,352,376	21,930,470	7.8%
Wisconsin	5,363,715	5,675,156	311,441	5.8%
Dane County	426,526	471,559	45,033	10.6%
Madison, City	208,054	226,650	18,596	8.9%
Sun Prairie, City	20,369	25,810	5,441	26.7%
Fitchburg, City	20,501	23,420	2,919	14.2%
Middleton, City	15,770	16,960	1,190	7.5%
Stoughton, City	12,354	12,865	511	4.1%
Waunakee, Village	8,995	11,105	2,110	23.5%
Verona, City	7,052	10,240	3,188	45.2%
Oregon, Village	7,514	8,764	1,250	16.6%
De Forest, Village	7,368	8,492	1,124	15.3%
Monona, City	8,018	8,194	176	2.2%

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

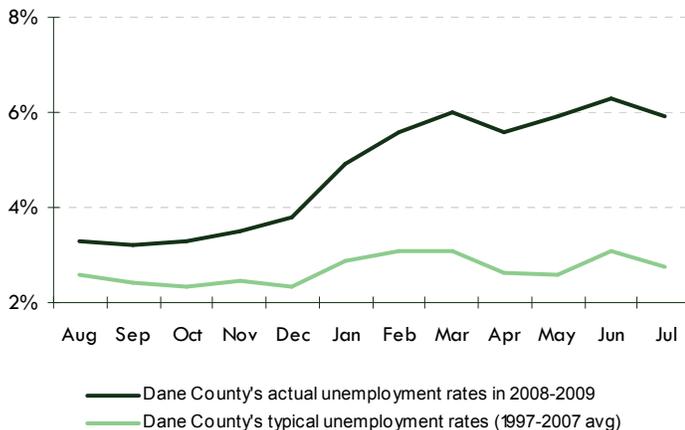
Components of Population Change, 2000-2008



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

County Unemployment Rate Situation

Dane County's Typical & Current Unemployment Rates



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

state's lowest unemployment rates) are not likely to erode in any fast, permanent way.

In the graph to the left, the lighter green line shows Dane County's typical unemployment rate trend. This is very low and stable compared to most Wisconsin counties. The black line represents actual unemployment rates for Dane County from August 2008 (when the rate was slightly above its typical level) to July of 2009 (when the rate was well above its typical level). The lighter green line shows that the typical rate does not include much seasonal variation in this area, so most of the rise in actual unemployment rates (the darker line) is due to the recession. In terms of timing, the gap between typical and actual rates started opening up in late 2008 and early 2009; this is consistent with the time period when other indicators began to shift.

Jobs & Wages

Dane 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	299,781	0.7%	306,059	1.4%	302,853	0.0%	304,979	- 0.9%
Natural Resources	1,557	4.0%	1,739	1.2%	2,022	3.5%	1,763	- 0.3%
Construction	13,248	- 5.4%	14,653	- 6.6%	15,073	- 6.7%	13,635	- 10.4%
Manufacturing	26,016	- 2.8%	26,173	- 3.8%	26,138	- 4.9%	25,317	- 6.8%
Trade, Transport. & Utilities	51,998	0.6%	51,781	- 0.8%	52,118	- 1.2%	53,525	- 2.7%
Information	9,654	5.5%	suppressed	not avail.	suppressed	not avail.	suppressed	not avail.
Financial Activities	25,645	- 1.0%	26,146	- 0.1%	26,071	- 0.2%	25,650	- 0.7%
Prof. & Business Services	36,910	4.3%	37,544	2.4%	38,189	1.1%	37,100	- 1.0%
Education & Health	75,000	2.4%	75,474	6.3%	69,213	0.4%	76,554	2.6%
Leisure & Hospitality	25,933	- 1.3%	27,994	1.8%	28,562	2.3%	26,616	- 0.8%
Other Services	10,839	- 2.0%	11,259	- 0.2%	12,027	7.2%	11,808	3.7%
Public Administration	22,980	0.7%	23,317	0.6%	23,475	1.0%	23,114	0.7%

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

The top line of the table above shows Dane County's all-industries employment growth grind to a halt in the third quarter of 2008 and turn negative in the fourth quarter of 2009. In rough correspondence, graphs on the top of page two and the bottom of page three show increases in Dane County's unemployment rate in the fourth quarter of 2008.

Construction employment was below year-ago levels for all of 2008, and the last quarter showed the widest margin of decline. By the second quarter of 2009, this year-over-year gap widened to 16.5 percent. The table below shows that the average construction worker's wage in 2008 was \$53,294, which was well above the all-industries average wage of \$43,750. This magnifies the impact of these employment declines. To the extent that real estate prices soared in Dane County above those in most of Wisconsin, they might have further to fall before reaching sustainable levels. Dane County's ability to pull in people from other places should help the construction recovery.

Education and health employment held up fairly well in 2009. Long-term prospects are less clear. Most

readers immediately identify the role of public funding in public schools and colleges (education services). Without Social Security, Medicare and other public funding, many residents could afford fewer health services (or none).

Wisconsin residents are older than those in most states, and are aging more quickly. Our aging population will require more nursing services and may be more reluctant to embrace tax increases required to fund nursing homes. Dane County's hub of state government and its flagship university could face funding shortfalls due to fiscal challenges, future revenue stagnation, and pressure to reduce tax burdens. These risks are clear and within this profile's scope the remedies are not.

Dane County	Dane 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	\$43,750	3.6%	111.7%	\$39,169	2.9%
Natural Resources	\$37,844	1.3%	121.2%	\$31,227	6.8%
Construction	\$53,294	5.9%	107.3%	\$49,658	4.6%
Manufacturing	\$51,229	0.2%	106.5%	\$48,116	2.1%
Trade, Transport. & Utilities	\$34,511	3.4%	102.7%	\$33,604	2.6%
Information	suppressed	not avail.	not avail.	\$49,838	2.8%
Financial Activities	\$56,523	3.1%	108.7%	\$52,008	2.5%
Prof. & Business Services	\$49,784	4.6%	110.4%	\$45,114	1.8%
Education & Health	\$46,345	4.5%	112.4%	\$41,222	4.1%
Leisure & Hospitality	\$13,552	1.4%	96.1%	\$14,102	3.8%
Other Services	\$30,169	0.6%	133.3%	\$22,628	2.5%
Public Administration	\$52,600	5.9%	128.2%	\$41,040	2.9%

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



Jobs & Wages

Prominent Industries in Dane County

Industry Sub-sectors (3-digit NAICS)	Fourth Quarter Employment			Average Annual Wage		
	2008 Level Dane County	Change 2007- 2008 Dane County	Change 2007- 2008 Wisconsin	2008 Wage Dane County	Change 2007- 2008 Dane County	Change 2007- 2008 Wisconsin
Education services	36,366	2.9%	1.8%	\$46,730	4.7%	4.0%
Food services & drinking places	19,318	- 2.1%	- 2.2%	\$12,294	0.9%	2.1%
Professional & technical services	18,111	0.7%	- 0.2%	\$63,149	2.3%	2.1%
Hospitals	14,834	2.8%	2.2%	\$53,733	6.5%	4.2%
Insurance carriers & related activities	14,552	0.4%	- 0.5%	\$61,707	3.4%	3.0%
Administrative & support services	13,505	- 8.9%	- 8.4%	\$24,080	2.0%	2.1%
Ambulatory health care services	12,280	5.0%	2.3%	\$60,507	1.2%	4.7%
Executive legislative & general government	8,076	- 0.7%	0.5%	\$47,452	5.7%	1.8%
Specialty trade contractors	7,468	- 14.1%	- 9.8%	\$47,905	3.1%	3.8%
Social assistance	6,980	9.6%	4.1%	\$23,075	1.2%	2.0%

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

The table above lists prominent sub-sectors in Dane County, ranked by reported employment. The prevalence of food services and drinking places is consistent with what many college towns like Madison experience. While much of the compensation in this sub-sector could come in the form of gratuities that do not appear on wage reports, this sub-sector's average annual wage (\$12,294) limits its positive impact on the local economy.

The administrative and support services sub-sector includes many temporary staffing agencies. Trends in this sub-sector correlate with demand for temporary workers, which tends to be a predictive indicator of demand for overall labor. Job losses started earlier here than they did in the wider economy. Between 2007 and 2008, the administrative and support services subsector saw a sharper employment decline and slower wage growth in Dane County than in the state as a whole.

In times of recession, the need for social assistance probably increases. In 2008 the social assistance sub-sector's average wage was \$23,075, an increase of 1.2 percent from 2007. Given this large and growing gap, it might be challenging to recruit and retain qualified professionals to do social assistance work.

Between the 2007 average and 2008 average, specialty trade contractors' employment declined 14.1. Between the second quarter of 2008 and the second quarter of 2009, this sub-sector's employment declined 17.2 percent, so available data did not show it to be on the mend.

The table below lists Dane County's ten largest employers ranked by the employment they reported in December 2008. Many of the educational services employers rely on easily-identified public spending. Many of the health services employers rely heavily on less-obvious public spending from Medicare, Social Security, and similar programs.

The page 4 discussion of the impact of older residents on public funding is also relevant to this list.

Prominent Public and Private Employers in Dane County

Establishment	Service or product	Number of Employees (December 2008)
U.W. - Madison	Colleges, univ. & professional schools	1,000+ employees
Madison Metropolitan School District	Elementary & secondary schools	1,000+ employees
American Family Mutual Insurance Co	Direct property & casualty insurers	1,000+ employees
U.W. Hospitals & Clinics Authority	General medical & surgical hospitals	1,000+ employees
Department of Corrections	Correctional institutions	1,000+ employees
Department of Health Services	Residential mental retardation facilities	1,000+ employees
Epic Systems Corp	Software publishers	1,000+ employees
City of Madison	Police protection	1,000+ employees
University of Wisconsin Medical Foundation	Offices of physicians, exc. mental health	1,000+ employees
SSM Health Care dba St. Mary's Hospital	General medical & surgical hospitals	1,000+ employees

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

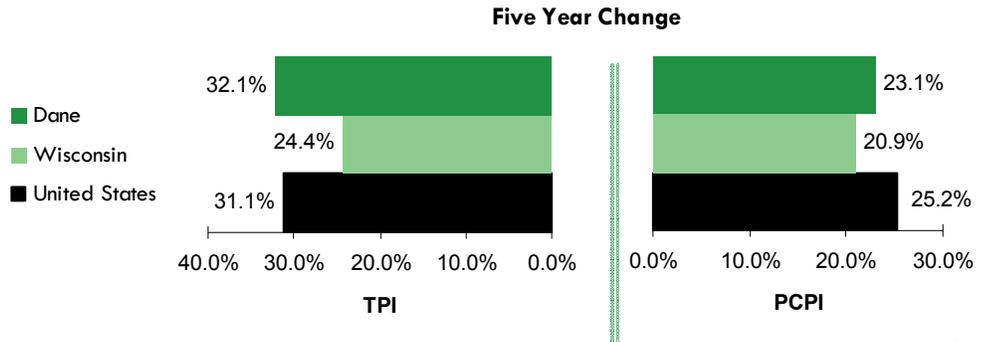
Income

While pages 4 and 5 focus on wages and employment reported through establishment payrolls, the income figures on this page include non-payroll income such as proprietors' income, government transfers (like Social Security and Medicare), and investment income (dividends, interest, and rents). In 2007, Dane County's total personal income of \$15.7 billion was about \$43,617 per person. This figure is called per capita personal income or PCPI. Like most counties with substantial concentrations of big-city suburbs, Dane County's PCPI (\$43,617) is well above Wisconsin's (\$36,272) and the nation's (\$38,615). Between 2002 and 2007, Dane County's rate of PCPI growth (23.1 per cent) was squarely between the statewide rate (20.9 percent) and the national rate (25.2 percent). This could be interpreted as statewide PCPI falling further behind Dane County's PCPI while the national PCPI catches up to Dane County's PCPI.

The graph in the lower right corner of this page shows how much money Dane County residents brought home by working in other counties (\$721.7 million in 2007) and shows how much residents of other counties earned while working jobs in Dane County (\$2.15 billion in 2007). Dane County probably recaptures some of the \$1.43 billion difference when residents of other counties who work in Dane County spend money in Dane County by shopping, attending sport or cultural events, or dining. However, residents of other counties who work in Dane County are unlikely to spend anywhere near as much money in Dane County as they spend buying or renting a residence in another county. Therefore, much of the \$1.43 billion difference probably reflects some actual net outflow.

Between 2002 and 2007, commuting inflows grew 13.6 percent (from \$635.2 million to \$721.7 million) while outflows grew 28.5 percent (from \$1.67 billion to nearly \$2.15 billion). Rising inflows suggest that other counties are becoming more reliant on workers from Dane County. The much-faster rise in outflows suggest that Dane County is increasing its reliance on workers from other counties at an even faster pace. Dane County's colleges make the population seem younger than most of Wisconsin's. The fact that Dane County borrows more and more workers from other counties (which are older and aging faster) suggests that Dane County will not be immune to the struggles other counties face in replacing retiring work-

Personal Income in Dane County				
	Total Personal Income (in thousands)		Per Capita Personal Income (PCPI)	
	2002	2007	2002	2007
Dane	\$15,708,419	\$20,744,267	\$35,436	\$43,617
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

ers.

Workers and policymakers face quickly rising commuting costs including lost time, fuel, congestion, road building, vehicle wear and tear, and environmental degradation. These factors and others may prompt some to ask what (if anything) can be done to increase the appeal and feasibility of living closer to work. It is not yet clear whether softness in the housing market will generate much affordable housing in the well-regarded school districts, but this issue is often cited in discussions about commuting.

Dane County Commuting Impact



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