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Falling Behind? Post-Recession Recovery Leaves Out Some Counties

During 2009-16, Wisconsin's economy generated more than 180,000 jobs, a 7% increase. That average masks economic weakness in several isolated parts of the state, particularly northern and central Wisconsin. Demographic trends indicate this will likely continue, while urban and suburban counties with access to major highways, university campuses, and high-speed Internet will flourish.

W hen politicians or the press talk about the Wisconsin economy, attention inevitably focuses on *statewide* job growth and comparisons with other states and the nation. The state's economic health is an important concern but so is the variability in economic performance where it matters most—"on the ground," in individual counties or regions.

More than 180,000 jobs were added statewide during 2009-16, a 7% increase compared to about 10% nationally. However, if residents of adjoining Buffalo and Trempealeau counties are asked about the postrecession economy, answers would likely differ. Employment is up 13% in Trempealeau since 2009 but down by double digits in Buffalo. The reality is that, in some parts of the state, jobs are growing, unemployment is falling, and home prices are rebounding from pre-recession levels. In others, employment growth and home values continue to lag, and unemployment remains above average.

This pattern of continued variability by county and region is likely to continue. Counties that performed poorly during past years often do not have enough young people to replace retiring baby boomers in the years ahead. Without a growing labor pool, job creation will continue to lag in these areas.

UNEVEN JOB GROWTH

The economic health of a state or county often begins with jobs.

Expanding employment can impact other economic indicators, including unemployment, wages, and home values that also deserve attention.

Although job numbers rose 7.0% statewide during 2009-16, they varied considerably at the county level. In 12 counties, employment increased more than 1.5 times the state average, led by Calumet (23.9%) and Kenosha (22.5%) counties. However, in 16 other counties, job numbers fell

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Figure 1: Job Growth From High (Dk. Green) to Low (Dk. Blue) Pct. Change in Employment by County, 2009-16

over those seven years, as local economies had yet to recover from the last recession.

Geography of Growth

Employment changes during 2009-16 are shown above (Figure 1). On the positive side (dark green on the map), two regions stand out: northwest Wisconsin from Polk and St. Croix counties east to Clark County, and the state's southern border, plus Dane County. In both these regions—together with Calumet, Ozaukee, Trempealeau, and Washington counties—employment expanded 10% or more.

At the same time, it declined (dark blue) or increased little (light blue) in nearly all northern counties, in central Wisconsin from Wood to Green Lake counties, and in the southwest. Job numbers in urban Milwaukee and Racine counties also grew less than 5% during the years studied.

Borders, Interstates, and Growth

Job growth, or lack thereof, results from many factors. The map highlights two important ones that local officials cannot affect—location and transportation. *Border Location*. Twenty-two of Wisconsin's 72 counties border another state. This can be positive or negative depending on conditions in adjoining states.

With the exception of Douglas, Pepin, Buffalo, and Grant, counties that border either Illinois or Minnesota all had strong job growth. Employment in five counties—from Lafayette to Kenosha—that border Illinois expanded 10% or more during 2009-16. Along the Minnesota border, growth was greatest in Polk, St. Croix, and Trempealeau counties. It was near or above the state average in Burnett, Pierce, and La Crosse counties, as well.

One of several reasons for the "border effect" in St. Croix and Polk counties is a vibrant Twin Cities region. Growth in the Minneapolis-St. Paul metro area has spilled over to those two Wisconsin counties, and to a lesser degree to Pierce County.

Along the Illinois border, a significant part of Kenosha County's growth was due to relocation of companies from Illinois to Wisconsin. The Kenosha Area Business Alliance attributes more than 8,000 jobs to relocation since 2013. With Illinois state

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Media is encouraged to quote contents, with credit to WISTAX. Electronic reproduction or forwarding is prohibited unless prior permission is granted. Send requests to wistax@wistax.org. finances shaky at best, similar relocations may have occurred along the entire southern border.

In Green and Rock counties, distinguishing between the benefits of the Illinois border from the effects of a strong Dane County economy is difficult. Just as an expanding Twin Cities economy has spilled across the St. Croix River, a growing Dane County has likely impacted nearby counties.

By contrast, Iowa and northern Michigan appear to have had little or no positive impact on job creation in bordering Wisconsin counties.

Interstate Highways. A second factor that seems related to job creation-and, as will be seen, other measures-is access to interstates or other major highways. Interstates are shown on the state map on page two.

Nine of the 15 fastest growing counties have an interstate highway running through them, while two others have one nearby. By contrast, of the 16 counties with job declines, only three (Jefferson, Manitowoc, and Waushara) had an interstate.

The impact of major highways is not surprising. A 2014 WISTAX study (Filling Potholes: A New Look at Funding Local Transportation in Wisconsin) showed Wisconsin's economy is more transportationdependent than any other state, save Indiana. Access to highways, particularly interstates, is important for many Wisconsin businesses.

Connectivity. Another type of infrastructure deserves mention: Internet access and speed. Access to dependable, high-speed Internet is essential for many businesses.



Figure 2: High-Speed Internet Access Varies % of Residents With Access to 25mbps Internet, by County

% of Residents With Access to High Speed Internet

Availability of high-speed Internet varies widely across counties. In Milwaukee and Waukesha counties, nearly 100% of residents have access to 25 mbps (megabits per second) Internet service. They are two of 13 counties where at least 90% of residents have such access (see Figure 2). By contrast, in 11 counties, mostly in the north, less than half enjoy such service.

Nine of the 15 counties with fastest job growth during 2009-16 have an interstate highway. By contrast, of the 16 counties with job declines, only two (Jefferson and Manitowoc) had one.

In 10 of the 15 counties with the fastest job growth (again, see map on page 2), more than 80% of residents had access to high-speed Internet. Of the 16 counties with job declines, only five reached this 80% threshold.

OTHER ECONOMIC MEASURES VARY

Like employment gains, other measures of economic health-growth in population and workforce, unemployment, and home values-also vary by county. In most cases, changes in these measures track job growth (see Table 1, page 4 for a summary; detailed data for all counties in Table 2, page 7).

Population

The cause and effect between employment and population is a chicken-and-egg question: Which comes first, more jobs or more people? Does employment growth attract new residents, or does an expanding population attract new employers?

Regardless of the answer, changes in employment and population in Wisconsin were closely linked during 2009-16: Counties with the fastest job growth had the largest population increases.

In 15 counties where employment expanded by 10% or more ("High" group in Table 1, page 4), median population growth was 1.6%. In counties with job growth between 5% and 10% during 2009-16 ("Medium High" in table), median population growth was 1.3%. The median is the value where half the counties in the group are higher and half lower.

These rates contrast with those in counties with little or no job gains. Among counties where employment grew less than 5% ("Medium Low" in table), median population growth was just 0.2%. In counties with fewer jobs in 2016 than in 2009 ("Low"), median population change was also minimal, though slightly higher (0.4%).

In 10 of the 15 counties with the fastest job growth, more than 80% of residents had access to high-speed Internet. Of 16 counties with job declines, just five reached that threshold.

Labor Force

Like overall population, county workforce changes moved with employment growth during 2009-16. Of the 15 counties with the most employment growth, the labor force expanded in all but two (Clark and Dunn). The median increase was 2.6% (see Table 1). Among counties with job growth near or slightly above the state average, median workforce expansion was 0.8%

By contrast, with the exception of Jefferson, all counties losing jobs experienced workforce reductions as well; the median drop was 11.9%. In Buffalo County, workforce size fell more than 20% over the seven years studied. In counties with slight employment gains, the labor force declined (median, -2.8%) in most.

A growing population does not necessarily mean an expanding workforce. If population change is due mostly to growing families—i.e., more children—the workforce will be affected little. In fact, the labor force could retrench as some new parents quit their jobs to stay home with their young children.

Moreover, county job and labor force changes may not move in tandem due to commuting. Jefferson County is an example: The job count dropped there during 2009-16, but the workforce expanded. Many new labor force entrants were likely commuting to work in surrounding counties.

Statewide, the workforce expanded just 0.6% during 2009-16 (see table). It fell in 42 of 72 counties, off more than 10% in 13.

Unemployment

After jobs, unemployment is probably the second most reported economic indicator. Unemployment rates generally move opposite to job growth. Strong job gains usually mean fewer residents out of work.

Table 1: Job Growth Vs. Other Economic Measures Counties Grouped by Job Growth; Median Chg. or Rate

		2016			
Job Growth	Jobs	Pop.	Labor Force	Resid. Values	Unemp. Rate
High	12.2%	1.6%	2.6%	3.5%	3.9%
Med. High	6.7	1.3	0.8	2.2	3.7
State Avg.	7.0	1.5	0.6	-0.7	4.1
Med. Low	2.8	0.2	-2.8	-2.7	4.6
Low	-3.2	0.4	-11.9	-4.7	5.0

Although the expected relationship between jobs and unemployment holds, it is not as strong as those for population and workforce. Statewide, Wisconsin's unemployment rate was 4.1% in 2016. Among counties with job growth near or greater than the state average ("Med. High" or "High"), the median unemployment rate in 2016 was below the state average (3.7% and 3.9%, respectively).

In counties with sluggish job growth or declines, unemployment was mostly above average. The median rate was 4.6% in counties with slow growth, and 5.0% in counties with no growth.

Home Values

As employment rises and unemployment falls, incomes generally grow. Families become more comfortable with their financial situation and may consider owning a home or moving to a larger one.

During the 2007-09 recession, home values dropped throughout the state. Since a home is often a family's principal asset, the financial impact was significant. Despite steady job growth statewide since 2009, the total value of existing homes did not begin appreciating until 2014. In 2016, it remained 0.7% below 2009 levels.

Once again, the statewide average does not tell the whole story. In counties where employment expanded more than 10% during 2009-16, the total value of existing homes had fully recovered from recession. The median increase there was 3.5%, with 12 of 15 counties "above water" (see Table 1). In counties with "medium-high" job growth, the median value increase was 2.2%, though in eight of 18 counties, 2016 values remained below 2009 levels.

Home values generally remained "under water" in areas where employment lagged. In 16 of 23 counties with modest job growth, values were lower in 2016 than in 2009. Home values fared worst in counties where employment fell. The median change in value was -4.7%, with 11 of 16 experiencing drops.

Wages and Education

Two other economic indicators not directly related to job growth tell us something about jobs and workers in counties where employment is expanding versus contracting.

Wages. Worker pay depends on many factors, including education and skills, job requirements, and location. Wages tend to be higher in urban counties where the cost of living is higher.

During 2009-16, employment was generally more robust in counties with higher wages than in those with lower pay. In the 15 counties with rapid job growth, median pay was \$39,640 (see Figure 3, bottom chart). In counties with near- or above-average growth, median wages were slightly higher (\$40,038).

In both cases, pay significantly outpaced counties with slow job growth (\$37,191) or job declines (\$35,409).

The same pattern occurs with education levels. In counties with more rapid employment growth, a greater share of the 25-or-older population had at least an associate degree (see Figure 3, top chart).

Figure 3: Jobs Grow Faster Where Wages, Education Higher

Median Wage, % With Assoc. Degree or More by Job Growth



% Associate Degree or More

DIFFERENT MEASURES, COMMON STORY?

Examining a variety of indicators individually demonstrates that state officials and the media make a mistake in focusing on the state economy as a whole. Not all Wisconsin counties are faring equally well.

Counties where employment rose the most during 2009-16 tended to have higher average pay and a more highly educated workforce than counties with little or no growth.

But even county-level analysis using a variety of economic measures cannot fully answer the question: Do particular counties or regions lag significantly in economic performance? Are these areas similar in ways that suggest policy responses that leave no part of Wisconsin behind?

What is needed is a comprehensive index of economic performance, but this is easier said than done. A look at Polk and La Crosse counties illustrates.

To this point, Polk County was grouped with other "high-growth" counties because employment there climbed 10.6% during 2009-16. Yet, a look at other economic measures tells a different story. The county's 2016 unemployment rate exceeded the state average, 2016 residential values remained below 2009 levels, and county population growth languished (see Table 2, page 7).

By contrast, job growth in La Crosse County (6.7%) was less than in Polk, but its unemployment rate, home value appreciation, and population growth were all stronger than in both Polk County and the state as a whole. Indeed, it could be argued that, economically, La Crosse County was stronger than Polk County.

Approach

To build a single index of economic performance, the five measures already examined individually jobs, population, labor force, residential values, and unemployment—are combined using common statistical methods. The result is a single number, an index ranging from -10 and +10. A score above "0" indicates the county performed better than the state average during 2009-16. A score below "0" indicates the county underperformed the state average.

For example, the index for three counties—Calumet, Dane, and St. Croix—was greater than 5. These



Figure 4: Economic Conditions Weakest Mostly in North Economic Performance*, 2009-16

*A statistical combination of 2009-16 growth in jobs, population, labor force, and residential home values, and 2016 unemployment rate. Statewide averages are: job growth, 7.0%; population growth, 1.5%; labor force growth, 0.6%, home value appreciation, 4.1%; and unemployment rate, 4.1%.

counties had the strongest economies during the years studied. At the other end of the scale, scores for four counties—Adams, Buffalo, Forest, and Iron—were below -8; they performed the worst.

Rather than focus on raw composite scores for individual counties (they only indicate relative strength), counties are grouped based on economic performance. The groups contain:

- 14 counties where overall economic conditions were strongest (dark green in Figure 4);
- 14 other counties where economic conditions were above average (light green) compared to the state;
- 22 counties where conditions were modestly below average (light blue) compared to the state; and
- 22 where conditions were weakest (dark blue).

Findings

In general, economic strength followed major highways, while weakness seemed to be due to "isolation." *Economic Strength.* As with job growth, overall economic strength based on the -10 to +10 composite score tends to coincide with major highways (see Figure 4). Interstate 41 runs from Brown County west through Outagamie and then south through Winnebago, Fond du Lac, Washington, and northeast Waukesha counties. All these counties had relatively strong economies over the past seven years.

Interstate 94 connects Milwaukee and Waukesha counties with Dane, and then heads northwest to St. Croix County. Interstate 90 connects Chicago with Rock and Dane counties, then travels north and west to La Crosse. Most of the counties these highways pass through had strong economies as well.

Although not an interstate, U.S. Highway 151 from Madison to Dubuque now has four lanes and passes through Dane, Lafayette, and Grant counties. All three were among the 14 strongest counties economically during 2009-16.

While highways are clearly an important factor, others are important as well. For example, counties with a four-year state university campus tended to perform well. Of 13 counties with a campus, 10 had economies that outperformed the state. The exceptions were Douglas, Milwaukee, and Walworth counties.

Isolation and Weak Growth. Economic success appears to be related to access to major highways and university campuses. Weakness, with few exceptions, seems to be a product of isolation. That is, counties with the weakest economies generally lack access to a major highway and high-speed Internet, and are without major cities.

For example, excluding Milwaukee, Manitowoc, and Wood counties, the largest city in the remaining 19 underperforming counties is Marinette, with under 11,000 residents. All other cities and villages have fewer than 8,200 residents, and just five of those claimed more than 5,000.

ASSESSING THE FUTURE

To this point, county economies have been assessed based on past performance. But past economic strength does not necessarily portend future prosperity.

Access to major highways, high-speed Internet, and four-year campuses have been linked to economic vitality in recent years. However, while they will continue to benefit the counties that contain them

Table 2: Economic Measures Vary by County

2009-16 Change in Jobs, Population, Labor Force, and Residential Values; 2016 Unemployment Rate

	2009-16 Pct. Change			ge	2016	2009-16 Pct. Change				2016	
County	Jobs	Pop.*	Labor Force	Resid. Values	Unemp. Rate		Jobs	Pop.*	Labor Force	Resid. Values	Unemp. Rate
Adams	0.3%	-0.7%	-16.9%	-12.1%	6.2%	Marathon	6.7%	1.1%	-1.4%	3.0%	3.7%
Ashland	-3.7	-1.1	-12.9	-7.1	5.6	Marinette	2.7	-0.8	-8.6	-3.1	5.6
Barron	5.7	1.1	-2.7	-0.2	4.7	Marquette	2.5	0.1	-2.8	-9.4	5.2
Bayfield	5.6	1.3	-6.3	-5.7	7.1	Menominee	2.2	0.6	-3.2	-8.1	7.8
Brown	7.3	4.0	-0.2	5.4	3.7	Milwaukee	2.7	0.1	2.4	-9.3	5.1
Buffalo	-28.4	0.9	-20.7	1.0	4.6	Monroe	4.0	2.7	-7.2	6.5	4.0
Burnett	6.8	0.6	-10.4	-6.2	6.2	Oconto	4.0	1.4	-0.1	-2.8	4.6
Calumet	23.9	5.5	9.1	3.7	3.3	Oneida	1.5	0.6	-1.4	-8.7	5.0
Chippewa	14.5	2.8	1.0	9.2	4.4	Outagamie	6.2	3.2	4.4	4.1	3.6
Clark	14.0	0.6	-1.6	5.8	4.0	Ozaukee	16.9	1.7	2.4	2.1	3.5
Columbia	8.7	0.4	2.2	-0.6	3.7	Pepin	2.8	-0.7	1.5	6.4	3.9
Crawford	-0.3	0.6	-15.1	2.9	5.0	Pierce	6.3	0.7	5.1	5.0	4.2
Dane	12.0	6.2	5.9	7.2	2.9	Polk	10.6	0.1	2.6	-1.3	4.7
Dodge	7.6	1.4	1.3	-4.8	3.8	Portage	6.3	1.2	-8.3	9.8	3.9
Door	4.0	1.2	-10.9	-3.3	5.1	Price	-3.8	-0.5	-16.5	-6.7	4.4
Douglas	2.5	0.6	0.1	-1.1	5.5	Racine	4.3	-0.1	0.3	-7.0	5.1
Dunn	12.2	1.6	-5.4	1.4	4.2	Richland	2.9	-0.4	-8.7	-2.5	3.8
Eau Claire	6.4	3.0	3.3	9.1	3.5	Rock	10.3	-0.3	2.4	3.5	4.6
Florence	-0.5	1.1	-8.3	-0.5	6.2	Rusk	4.3	0.2	-5.2	-2.2	5.3
Fond du Lac	7.5	1.6	1.7	-2.0	3.6	St. Croix	19.9	3.0	5.3	13.5	3.9
Forest	-2.3	-0.3	-19.6	-4.6	6.4	Sauk	0.1	0.3	-1.7	-1.5	3.7
Grant	4.5	3.7	-2.1	5.8	4.1	Sawyer	-1.5	1.2	-13.7	-7.8	6.5
Green	12.3	0.2	5.7	3.4	3.4	Shawano	1.4	-0.5	-5.7	0.0	4.3
Green Lake	-4.8	0.5	-4.6	-16.6	5.0	Sheboygan	4.3	-0.4	-4.6	-3.5	3.5
Iowa	-3.7	0.6	-0.6	0.5	3.6	Taylor	4.4	0.3	1.9	8.4	4.3
Iron	-4.3	-0.3	-10.9	-5.7	7.7	Trempealeau	12.2	2.0	2.4	9.9	3.8
Jackson	3.6	1.4	3.7	5.1	4.5	Vernon	10.0	1.1	3.5	4.5	3.7
Jefferson	-1.8	0.7	7.2	-0.6	4.0	Vilas	0.0	1.1	-8.7	-12.4	5.8
Juneau	5.5	1.3	-0.3	-6.6	4.6	Walworth	10.2	0.4	2.8	-9.4	4.1
Kenosha	22.5	0.7	2.9	-7.0	4.8	Washburn	6.8	0.1	0.2	-8.3	5.2
Kewaunee	-3.9	0.7	-4.5	4.2	3.8	Washington	10.4	1.7	2.5	1.7	3.5
La Crosse	6.7	3.0	2.5	11.5	3.7	Waukesha	8.1	1.7	4.8	1.5	3.6
Lafayette	11.3	0.7	6.7	3.8	3.3	Waupaca	2.8	-0.2	-4.5	1.3	4.1
Langlade	-2.7	0.1	-12.9	-5.9	5.3	Waushara	-2.2	-0.1	-10.8	-6.9	5.2
Lincoln	2.8	0.2	-2.0	-2.7	4.5	Winnebago	6.0	1.2	-2.3	3.3	3.7
Manitowoc	-1.8	0.0	-9.6	-4.8	4.5	Wood	-8.9	0.3	-18.4	0.0	5.0
						State Avg.	7.0	1.5	0.6	-0.7	4.1

*Due to large discrepancies between 2009 state estimates and 2010 Census figures, changes are calculated from 2010.

in the years ahead, their benefits are not likely to expand much, if at all. State government has neither the financial wherewithal nor political will to extend either to new parts of the state.

If state leaders seek to "leave no county behind" economically, they need to know what parts of the

state are most at risk. Is there a way to anticipate economic stagnation?

The short answer is yes, for there is one economic driver that has proven key for decades: population growth. Just as the exploding "baby boom" generation fueled economic expansion during the last century, a young and growing workforce will be key to county health in the 21st century.

Future economic progress will hinge on labor availability. Counties with growing populations and workforces are more likely to prosper; those with

In 20 of Wisconsin's 72 counties, the primary working age population—25-to-64—declined during 2000-15. Sixteen of the 20 were in northern Wisconsin.

shrinking numbers of youth and workforce entrants will face hurdles. Put simply, there can be no job creation if there are no workers to fill the jobs.

Historically, the state and nation have had sufficient young people "in the pipeline" to replace retirees. In other words, the size of the population about to enter the workforce (15-to-24 year olds) was large enough to replace those expected to retire within 10 years (those 55 to 64 years of age). With baby boomers leaving the world of work, this is not the case going forward. In counties that are not able to replace retirees, economic growth will suffer.

In some parts of Wisconsin, the workforce is already shrinking. In 21 of the 22 worst-performing counties during 2009-16, the workforce contracted; the median drop was nearly 11%. Further declines will only exacerbate economic weakness in these areas.



Replacing the Boomers

While some jobs—particularly part-time ones are filled by retired seniors or students ages 24 or younger, the bulk of the full-time workforce is comprised of state residents ages 25 to 64. That cohort is growing slowly, at best.

Changes Since 2000. Statewide, this workforce population expanded 9.1% during 2000-15, an average of 0.6% per year. Sluggish growth in this important age group is one reason for Wisconsin's modest employment gains over the past 15 years.

Changes were far from uniform throughout the state. In 20 counties, this workforce population shrank since 2000. Sixteen of these 20 counties were in the north (blue counties in Figure 5), from Bayfield and Burnett counties in the northwest to Door County in the northeast.

The prime working-age population fell more than 10% in Iron (-14.4%) and Florence (-12.2%) counties. In Price, Marquette, and Forest, it declined more than 5%. In general, counties with a shrinking workforce are those whose economic performance was weakest since 2009.

The news was better in 17 counties, where the working-age cohort grew 12% or more (green counties in Figure 5). Again, growth tended to be in urban or suburban counties with major highways.

Looking Ahead: Near Retirees. That future economic health depends first and foremost on population trends is welcome news for some counties and ominous for others. Based on available birth statistics, we already know about how many young Wisconsin residents are likely to join the workforce and how many baby boomers will retire.

In 10 years, most of those ages 55 to 64 will either be out of the workforce or working part time; they will have to be replaced by young workers entering the labor force.

Statewide in 2015, those nearing retirement accounted for one-quarter of the 25-to-64 year old population. However, in 21 counties, this percentage topped 30%. In eight northern counties—Bayfield, Burnett, Door, Florence, Iron, Price, Sawyer, and Vilas—the "near-retirement" percentage was more than 34%. In other words, over the next decade, more than one-third of the workforce in these counties will likely retire and need to be replaced if any workforce growth is to occur. By contrast, in many urban and suburban counties, the "near retirement" population accounted for smaller shares of the workforce: Milwaukee (21.9%), Dane (22.2%), St. Croix (22.9%), Outagamie (22.9%), Kenosha (22.9%), Brown (23.2%), and Calumet (23.8%). Absent migration, these counties likely will be more successful maintaining their workforces than hard-pressed counties to the north.

Sufficient Replacements? By now, it goes without saying the youth of today are the workforce of tomorrow. As those 55 to 64 retire, they will be replaced, for the most part, by those currently 15 to 24. Statewide, this younger group totalled 786,065 in 2015. At face value, this group is large enough to replace the 765,377 potential retirees.

However, not all of these youth will be available to Wisconsin employers. Some will take a job in another state upon college graduation. Others, now in high school (15 to 18 years of age), will leave the state for college and not return.

The number of potential "leavers" is unknown, but Census figures from 2000 and 2010 provide clues. Those who were 15 to 24 in 2000 were 25 to 34 in 2010. Comparing the size of these two groups provides one estimate of the net number of young people who left the state over the intervening 10 years.

Figure 6: "Replacement Rates*" Low in North



*Size of 2015 15-24 year old cohort, adjusted for number expected to leave the county, relative to 2015 number of 55-64 year-olds. In simpler terms, availability of young people to replace those expected to retire over the next 10 years.

Census figures show that Wisconsin's 2010 population of 25-to-34 year olds was 8.4% less than its 2000 15-to-24 year old cohort. In other words, the state had a problem retaining young people during that decade.

While the magnitude of this drop off could be atypical due to the 2007-09 recession, it appears that a significant number of young adults left the state and did not return.

If that pattern were to continue for the next 10 years, the 786,065 young people mentioned above would yield about 720,000 residents ages 25 to 34 by 2025. That number would be insufficient to replace 765,000 potential retirees.

This numerical exercise generates a "replacement rate," the percentage of retirees that can be replaced by current 15-to-24 year olds. For the state, the replacement rate is estimated at 94% (720,000 available youth \div 765,000 retirees). To grow its workforce, Wisconsin would need to: (1) retain more young people; (2) increase the percentage of its population that work; or (3) import workers from other states or countries.

This replacement calculation can be repeated for individual counties but tends to be less reliable. Much more migration occurs in-state county to county than occurs between Wisconsin and other states. Migration from neighboring counties can help stabilize or even grow the labor pool.

Regardless, individual county replacement calculations reveal that, in 13 counties, the projected 25-to-34 population 10 years out is sufficient to replace less than half of potential retirees (dark blue in Figure 6). In another 23 counties (light blue), estimated replacement rates are less than 80%. In 15 counties, mostly urban or suburban, replacement rates top 90% (dark green on map).

By now, the pattern in the map displaying replacement rates should be familiar. It shows the isolated north lagging in future strength, while populous urban and suburban counties with Internet access, campuses, and major highways outperforming. Indeed, comparing replacement rates (future health) with 2009-16 economic performance suggests counties with difficulties during the past seven years will struggle to find workers over the next 10. Median replacement rates are:

 54% in 22 counties struggling the most during 2009-16 (dark blue on map, page 6);

- 69% in 22 other counties with economies below the state average (light blue on page 6 map);
- 83% in 12 counties performing modestly above average economically (light green); and
- 96% in 12 counties with the strongest economies during 2009-16.

A Longer View. The 10-year window examined here highlights regions of the state that are economically vulnerable in the near term. A look at changes in the 14-or-younger population highlights regions with long-term labor force—and therefore economic—issues.

Statewide, the youth population was 3.7% smaller in 2015 than in 2000. At the same time, the 40-to-54 population—the group these youth will replace—expanded 1.0%. This highlights one of the long-term challenges for Wisconsin's economy. In 2000, there were 96 youth under 15 for every 100 residents ages 40 to 54. By 2015, there were fewer than 92 per 100.

Shrinking numbers of young people is even more problematic in some counties. During 2000-15, the youth population rose in just 12 counties (see dark green in Figure 7). In only five—Brown, Calumet, Dane, St. Croix, and Trempealeau—were gains more than 5%.





In the remaining 60 counties, 2015 youth populations were below 2000 levels. In some, declines were marginal: Under-18 populations dropped less than 2% in Jackson, Kenosha, Lafayette, Outagamie, Pierce, and Washington counties.

However, in almost half (32 of 72), youth populations were down 10% or more (dark blue in Figure 7). The largest declines—25% or more—were in Bayfield, Florence, Iron, and Price.

SUMMARY

State leaders often focus on state averages to assess the health of Wisconsin's economy. However, that focus misses real challenges facing "isolated" counties mostly in the northern and central parts of the state. During 2009-16, nearly all of these counties underperformed state averages on a variety of economic measures, while their urban and suburban counterparts in the south and west outperformed.

For counties whose economies were weakest over the past seven years, the road ahead contains more challenges. Most have insufficient numbers of young people to replace retiring baby boomers. Many employers in these counties likely will have difficulties meeting their workforce needs.

The question for both state and local leaders is: What can be done to attract workers, particularly young ones, to these areas? Most are remote and lack large, or even medium-sized cities. Many of these counties also lack access to high-speed Internet, an essential asset for attracting younger populations.

If left to languish, schools and local governments will face growing challenges. How can a school district educate students adequately and efficiently in an area with fewer than two students per square mile? Will a shrinking working population reduce property values, the primary tax base for counties, municipalities, and schools? A growing senior population will create increased demand for senior- and assisted-living facilities. Will these counties have the workers to staff them?

These are all questions of growing importance that can be overlooked if policymakers monitor only statewide trends. \Box

DATA SOURCES:

U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau; Wisconsin Departments of Administration and Revenue.

A NORTH-SOUTH DIVIDE

A county-level analysis of growth measures, be they employment, population, or home values, makes clear that some parts of Wisconsin have lagged even as the overall state economy has expanded since the last recession. Nowhere is that more clear than when the state is divided north-south roughly along Highway 29. The north, consisting of 22 counties from Polk in the west to Oconto and Door in the east, accounts for about one-third of the state's land area but less than 9% of its population. The remaining 50 "southern" counties account for two-thirds of land area and more than 90% of population.

Economics

During 2009-16, the economy in the north was consistently weaker than it was in the south. Job growth there (3.4%) was less than half the rate in the south (7.2%), see table).

One bright spot for northern Wisconsin was manufacturing, where employment increased 8.0%, faster than in the south (6.4%).

That was an exception, though. In nearly all major industries, job changes in the north lagged. The largest gap was in the "information" sector, where 4.2% more jobs were added south of Highway 29 compared to a 14.4% loss north of that line.

Employment changes in "leisure and hospitality" were a particular surprise. While the industry expanded 10.7% in 50 southern counties, it contracted slightly in 22 northern ones.

Relative economic weakness also showed up in workforce growth and unemployment. The labor force expanded 1.2% in the south but fell 5.1% in the north. The 2016 unemployment rate was significantly higher in northern counties (5.2%) than in southern ones (4.0%).

A weak economy is partly to blame for the north's lagging residential values. There, home values in 2016 remained 5.5% below 2009 levels. To the south, they had fully recovered (+0.1%).

Infrastructure

Unlike the south, northern Wisconsin has few major highways. Its most significant is Highway 53, which has four lanes from Eau Claire to Superior.

Northern counties also lack adequate Internet service: 89.0% of southern residents can access high-speed Internet, compared to only 64.0% in the north.

Future Workforce

While economic and infrastructure figures provide a "rear-view" look at regional performance, population data offer a window on the future. A key question is whether a region has sufficient numbers of 15-to-24 year olds to replace 55-to-64 year olds as they retire.

Calculating replacement rates (see page 9) gets at this ability to replace workers near retirement with younger adults. A replacement rate of 100% suggests there are enough potential workers in the 15-to-24 age range to replace those 55 to 64 as they leave full-time work.

Taken as a whole, southern Wisconsin's replacement rate is 99%. That is, there are sufficient young people living in these 50 counties to replace retirees over the next 10 years.

That is not true to the north. There, a replacement rate of 54.9% indicates that these 22 counties taken together have about half the young people they need to replace workers ages 55 to 64 over the next decade. \Box

Economy and Demography by Region: North vs. South					
Measure	North	South			
Population	502,337	5,272,783			
2010-16 Change	0.4%	1.7%			
2009-16 Job Growth By Industry	3.4	7.2			
Construction	3.9	10.2			
Information	-14.4	4.2			
Financial	-3.8	-7.3			

monnation	-1	7.2
Financial	-3.8	-7.3
Health/Educaton	5.8	10.3
Leisure/Hosp	-0.1	10.7
Manufacturing	8.0	6.4
Frade/Trans.	1.3	4.7
2016 Unemp. Rate	5.2	4.0
2009-16 Ch. Labor Force	-5.1	1.2
2009-16 Ch. Res. Values	-5.5	0.1
% With 25mbps Internet	64.0	89.0
Replacement Rate	54.9	99.0



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WISTAX NOTES

■ Lack of Civic Knowledge. Only 26% of respondents to a recent survey by the Annenberg Public Policy Center could name the three branches of government—executive, legislative, and judicial. One-third could not name any branches. A similar survey in 2011 found 38% could cite all three, while 33% did not know any.

The survey also found that half of respondents knew speech was protected by the first amendment to the U.S. Constitution. However, few could name other protections, such as religion (15%), press (14%), assembly (10%), and petitioning the government (3%).

■ **Property Taxes Up 1.6%.** Total property taxes levied by state and local governments in December 2016 and payable in 2017 rose 1.6% to \$10.79 billion. The increase was less than the 2.3% rise in 2015/16. The property tax is the largest single tax imposed by state or local governments in Wisconsin.

After accounting for three state property tax credits (school levy, first dollar, and lottery), net levies climbed 1.5%, the same as in the prior year.

Among local governments, technical college levies increased the most (4.2%), although they account for just 4% of all property taxes. Municipal levies, which are on average one-quarter of the tax bill, rose 3.1%. K-12 schools levy 45% of all property taxes, and their levies were up marginally (0.1%).



 Values of existing homes still below 2008 in many parts of state (#11-17)

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