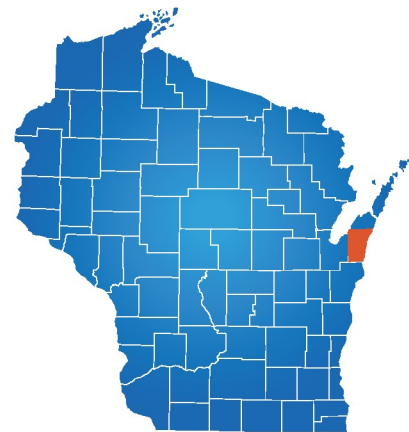


Kewaunee County

2021 WORKFORCE PROFILE



2021 Wisconsin Overview

The COVID-19 pandemic has been the primary influence on the economy and workforce activity in Wisconsin since March of 2020. The two-month recession attributable to COVID-19 ended the longest economic expansion on record. Reactions to COVID-19 affected every industry and geography in the state. The results were seen in stark terms over the course of a few months and throughout the following year. Job numbers plummeted. Unemployment insurance claims skyrocketed. The workforce sagged but remained fairly intact. The unemployment rate shot up from near record lows in March 2020, to almost 15% in April 2020 in the state. By November 2021, statewide unemployment had returned to historic lows.

The outlook for the state's economy is positive, although the ramifications of new viral strains are yet to be determined. Wisconsin's GDP is on the verge of overtaking pre-COVID levels and state job numbers have returned to 96% of pre-pandemic levels. A few industries' employment, such as manufacturing, construction and professional business services, are back near or over pre-pandemic levels.

Private businesses continue to voice concerns about their inability to attract talent and workers in general. The primary underlying challenge is the demographic situation of Baby Boomers exiting the workforce. This lifecycle event will continue to complicate the ability of employers to find workers and talent. This is not just a Wisconsin problem but one that affects the upper Midwest, the U.S. as a whole, much of Western Europe, and in fact, the developed world. Even China faces a talent shortage. Many of the solutions offered to attract workers to a particular firm are microeconomic solutions in practice (e.g., wage increases, signing bonuses, schedule flexibility), while the underlying demographic trends and quantity challenge are a macroeconomic problem.

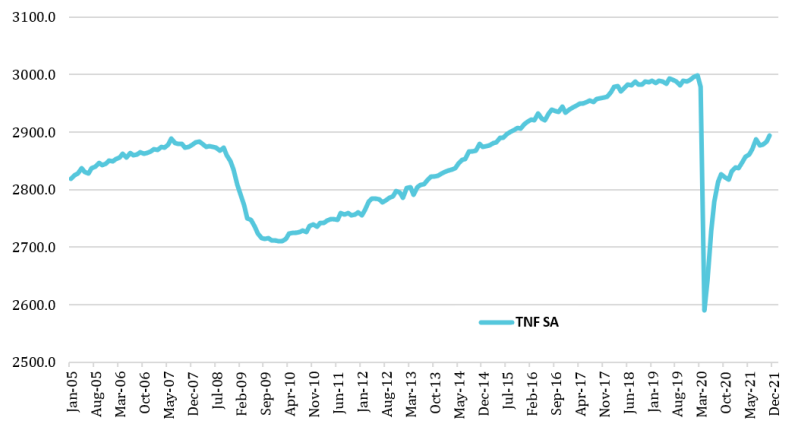


Employment

Wisconsin's labor force held relatively steady through the pandemic, decreasing from 3.075 million in February 2020, to 3.054 million in December 2020. It has since recovered to 3.109 million as of August 2021.

The jobs situation, in contrast, was severely impacted by the pandemic and has not fully recovered. Total nonfarm jobs peaked in February 2020, at 2.997 million on a seasonally adjusted basis. By April 2020, 407,800 jobs had been lost. As of November 2021, jobs totaled 2.893 million, still down some 104,000 from February 2020 levels.

Graphic 1: Wisconsin Jobs



The unemployment rate path was equally volatile. Wisconsin's March 2020 seasonally adjusted unemployment rate was near historic lows at 3.2%. By that April, it had risen to 14.8%. It has since decreased to 3.0% as of November 2021, tied with the previous record low from November 2018.

Short-run Outlook?

As this is being written in December of 2021, job growth has slowed and has even recorded negative months. The industry that suffered the greatest impact from COVID-19 has been the leisure and hospitality industry, losing more than 50% of its jobs at one point. All other industries have been affected in some manner; for example, manufacturing lost less than 5% of its jobs, and recovered more quickly, as have the construction, and warehousing and distribution sectors. Even so, workers are scarce.

Businesses' pursuit of workers has brought about wage and benefit increases along with signing bonuses and other incentives to try to attract workers. There are, however, other workforce barriers such as transportation, dependent care, housing affordability, and the uncertainty of workplace safety surrounding COVID-19 that also need to be overcome.

Supply logistics interruptions have been a factor through the pandemic. Disruptions in global supply chains have forced input shortages in many industries, raising prices and curtailing production. Most notable has been the lack of semiconductors, affecting almost every industry, particularly the automobile manufacturers. Sorting out and readjusting the global supply chain will take time. Further disruptions cannot be ruled out depending on additional COVID waves.

The supply bottlenecks have put unwelcome upward pressure on inflation, sending the price of raw materials, food, and energy higher, increasing the PPI (Producer Price Index) and the CPI (Consumer Price Index). U.S. PPI final demand index rose 8.3% for the 12 months ended in August, the largest advance since 12-month data were first calculated in November 2010. Likewise, over the last 12 months, the all-items CPI increased 5.3% before seasonal adjustment.

Expectations are for inflation pressures to ease as supply chains are reconstructed and altered; however, the timing of that is uncertain.



Long-run Challenge?

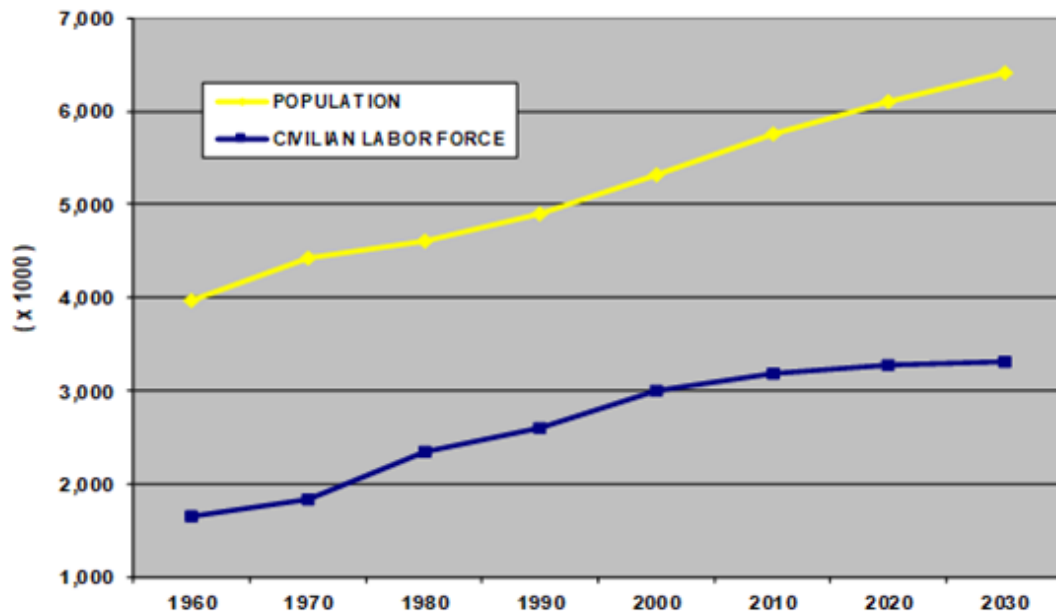
The primary long-term challenge facing Wisconsin's economic future remains workforce quantity. The demographic situation facing the state, other upper-Midwest states, and most of the western economies will advance unaltered in the coming decades.

While Wisconsin's population will continue to grow over the next 20 years, the workforce faces serious constraints. The labor force trend began to flatten in 2008 as the first Baby Boomers (those born in 1946) reached age 62 and began to leave the workforce. Baby Boomers continue to exit the workforce in great numbers.

And, with home prices surging and investment portfolio values at historic highs, older workers may decide, as many did before the housing bubble burst in 2007, to leave the workforce now and permanently.

The number of retiring Baby Boomers nearly matches the influx of new workers, resulting in a slow-growing workforce and placing constraints on the ability of employers across industries to secure talent. Many businesses report that the lack of available workers has hindered expansion, and in some cases, even curtailed the ability to meet current business needs.

Graphic 2: Wisconsin Population and Labor Force



There are four solutions to the macroeconomic labor quantity challenge: 1) offshoring production, 2) immigration, 3) mitigating barriers to employment of the chronically unemployed, and 4) technological advancement. Critical to the technology solution is the concomitant match of labor skills with technologies' sophistication. This is true for designing, building, installing, operating, and maintaining the advanced equipment as well as for development of the infrastructure and facilities needed to support technological progress.

Worker skills must align with skills demanded by the position. If you have the talent and not the job, the talent goes elsewhere. If you have the job and not the talent, the job goes elsewhere. For Wisconsin to successfully compete in the global economy, the state needs to attract and retain everybody it can and educate and train everybody to match the requirements of the new technologies.



Kewaunee County

Population and Demographics

In contrast to the state and nation, Kewaunee County's total population remained relatively constant over the course of the 2010s. During the previous decade, the county's population increased by 172 residents (0.8%). This rate of population growth is less than half of the 1.9% growth experienced in the 2000s. Much like Wisconsin as a whole, the decelerating population growth is very much at the heart of the long-run workforce challenges that are expected to persist after the pandemic. Within the county, population losses in the cities of Algoma and Kewaunee were more than offset by the gains experienced elsewhere in the area.

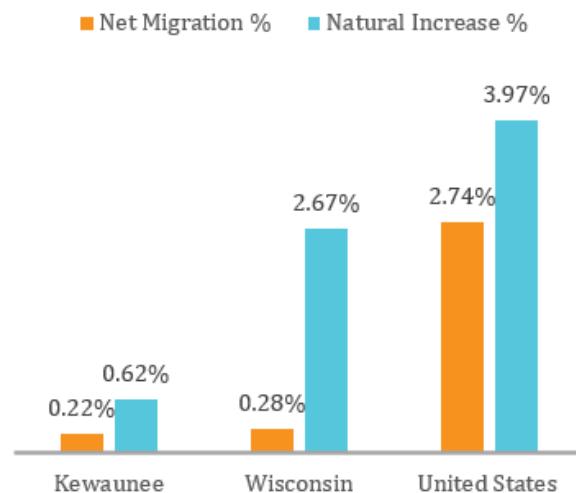
Graphic 3: 10 Most Populous Municipalities in County

	2010 Census	2020 Final Estimate	Numeric Change	Percent Change
Algoma, City	3,167	3,105	-62	-1.96%
Kewaunee, City	2,952	2,870	-82	-2.78%
Luxemburg, Village	2,515	2,620	105	4.17%
Luxemburg, Town	1,469	1,521	52	3.54%
Red River, Town	1,393	1,411	18	1.29%
West Kewaunee, Town	1,296	1,356	60	4.63%
Montpelier, Town	1,306	1,320	14	1.07%
Casco, Town	1,165	1,212	47	4.03%
Carlton, Town	1,014	1,036	22	2.17%
Franklin, Town	993	999	6	0.60%
Kewaunee County	20,574	20,746	172	0.84%
Wisconsin	5,686,986	5,854,594	167,608	2.95%
United States	308,745,538	329,484,123	20,738,585	6.72%

Source: Demographic Services Center, Wisconsin Department of Administration

Compounding the state's workforce issues is the fact that in recent memory, Wisconsin has experienced near-zero net migration, and to a large extent, that is also true in Kewaunee County. Since 2010, the net migration rates were 0.3% and 0.2% in Wisconsin and Kewaunee County, respectively. Natural increase (the difference between births and deaths) was responsible for much of the recent population growth. The county's natural increase rate over the past decade was 0.6%, less than a quarter of the statewide rate. Natural increase is expected to decline in the coming decades because the state's fertility rate has been below replacement level since 1975.

Graphic 4: Components of Population Change



Employment by Industry

Over the course of 2020, employment in the county decreased by 335 jobs (4.97%) across all industries. Unsurprisingly, these employment losses were primarily caused by the pandemic and the many changes in work and daily life that followed. One summary table attempting to provide a single snapshot of annual employment dynamics does not accurately reflect the monthly volatilities experienced thus far; however, it helps to illustrate the relative size of various sectors of the local economy and how they were uniquely impacted. Employment data for some industries are not available.

Graphic 5: 2020 Annual Employment by Industry

	2020 Average Monthly Employment	1-year Numeric Change	1-year Percent Change	Percent of Total Employment	Total Payroll	Percent of Total Payroll
Construction	402	14	3.61%	6.27%	\$ 21,802,546	8.04%
Education & Health Services	1,083	-93	-7.91%	16.90%	\$ 41,550,132	15.32%
Financial Activities	165	-5	-2.94%	2.57%	\$ 8,731,728	3.22%
Information	Suppressed	Not avail.	Not avail.	Not avail.	Suppressed	Not avail.
Leisure & Hospitality	464	-71	-13.27%	7.24%	\$ 5,113,153	1.89%
Manufacturing	1,709	-79	-4.42%	26.67%	\$ 84,150,320	31.03%
Natural Resources & Mining	1,066	8	0.76%	16.64%	\$ 44,701,064	16.48%
Other Services	Suppressed	Not avail.	Not avail.	Not avail.	Suppressed	Not avail.
Professional & Business Services	242	-24	-9.02%	3.78%	\$ 13,285,673	4.90%
Public Administration	306	-8	-2.55%	4.78%	\$ 8,808,868	3.25%
Trade, Transportation, Utilities	868	-48	-5.24%	13.55%	\$ 39,804,785	14.68%
All Industries	6,408	- 335	-4.97%	100.00%	\$ 271,181,944	100.00%

Source: WI DWD, Labor Market Information, QCEW 2020

As was common throughout many other counties across the state in 2020, Leisure and Hospitality in Kewaunee County experienced the greatest proportional declines despite being the fifth largest industry. Even though it only made up 7.2% of total employment and 1.9% of total payroll, it accounted for 21.2% of the decline in overall employment. With that being said, the industry was less adversely impacted in Kewaunee County compared to the state as a whole. Statewide, the industry's employment declined by 19.9% and accounted for 37.9% of the overall annual decrease.

*Over the course of
2020, employment in
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by 335 jobs (4.97%)
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While much of the attention regarding the economic impacts of the pandemic was concentrated on Leisure and Hospitality (L&H), and deservedly so, it is worth noting that employment losses were also widely felt in many other industries in the county, albeit with lesser degrees of severity.

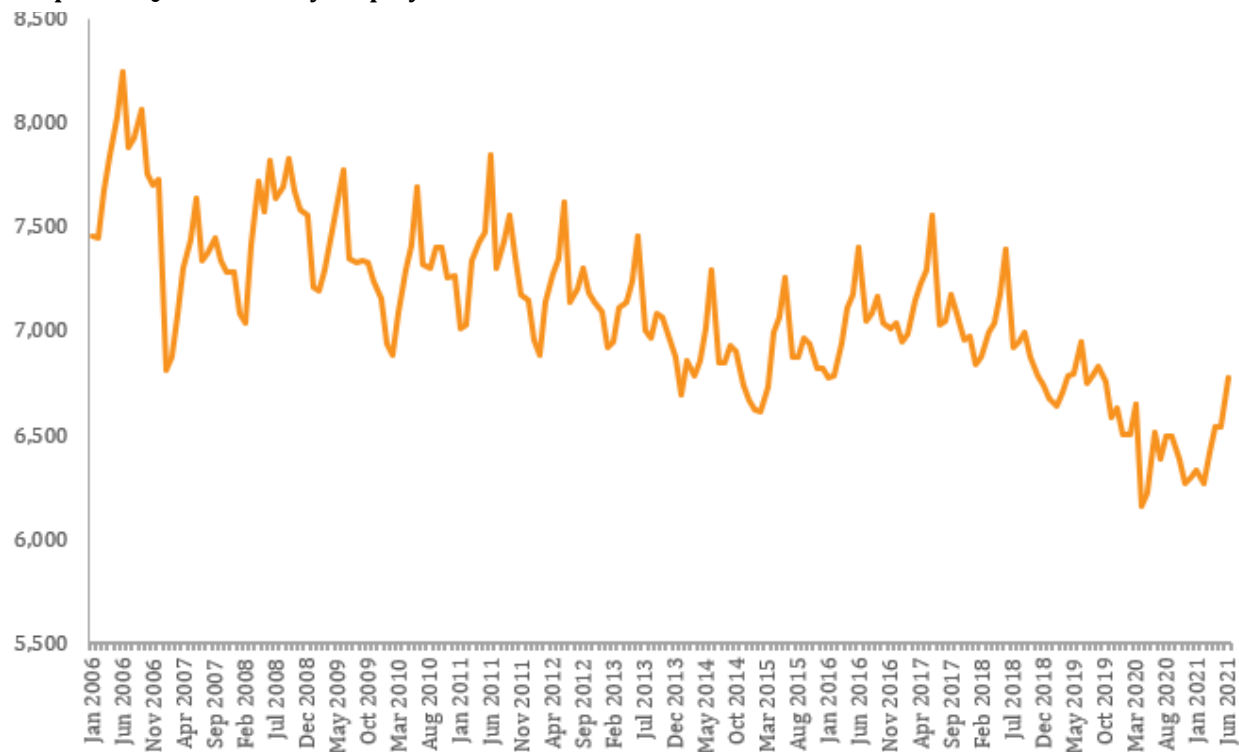
In contrast to several of Northeast Wisconsin's largest counties, numeric employment declines in two other industries actually exceeded those experienced in L&H: Education & Health Services and Manufacturing. In fact, the collective employment declines in those two industries were more than twice as large as L&H. However, both of them are over two times larger than L&H, so the proportional losses were more moderate – 7.9% in Education & Health Services and 4.4% in Manufacturing.



Total Monthly Employment

Unlike its more metropolitan counterparts, Kewaunee County's aggregate employment levels remained relatively flat during the 2010s, hovering around 7,000 over the course of the entire decade. This is particularly noteworthy because one would normally expect upward employment trends during this period, which coincided with the longest continuous economic expansion on record. To an extent, local employment patterns in wake of the pandemic have more closely followed statewide trends.

Graphic 6: QCEW Monthly Employment



Source: WI DWD, Labor Market Information, QCEW Second Quarter, Kewaunee County

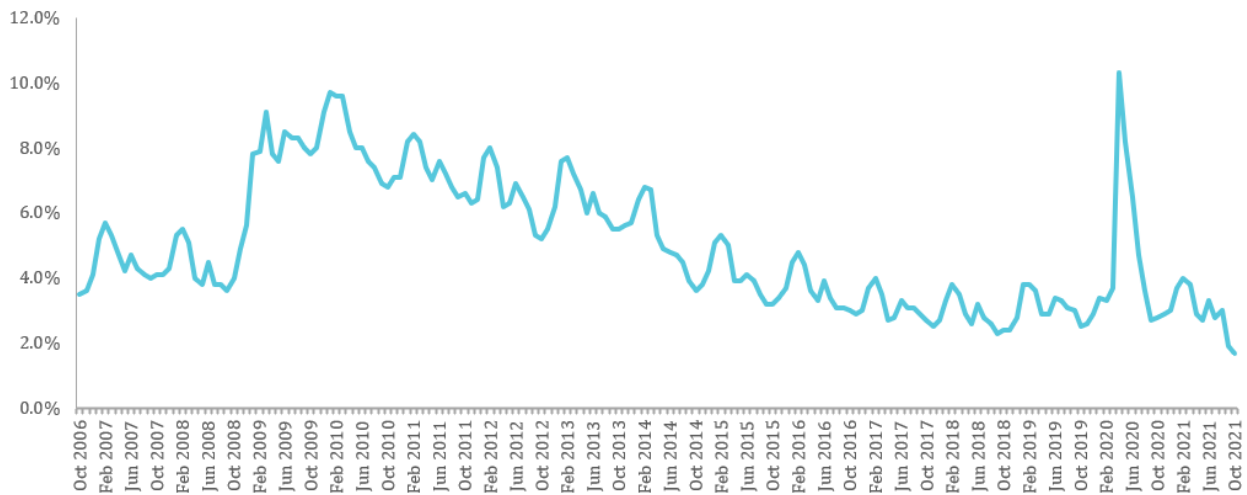
Looking more closely at March 2020 and beyond, one observation that stands out is that Kewaunee County's labor market was less adversely impacted by the pandemic compared to many of its neighbors. But that could partly be because local employment was already on a downward trend beginning in the early summer of 2019. Local employment declined by almost 500 jobs (7.4%) in April 2020, and the subsequent recovery period has been inconsistent. The most rapid rebound occurred in the spring and early summer of 2020, but those gains were lost by the fall and winter as new COVID cases accelerated and eventually peaked. As of June 2021, local employment has returned to pre-pandemic levels but was over 600 jobs below the same month three years ago.



Unemployment and Labor Force Participation

In contrast to the Great Recession, the increase in unemployment that occurred at the onset of the pandemic was more severe but less persistent. While Kewaunee County's unemployment rate peaked at 9.7% in the aftermath of the financial crisis, in April 2020, it climbed up by over six percentage points to 10.3%. And while it took about seven years after 2008 for the unemployment rate to return to its pre-recessionary level, five months after the initial spike in April 2020 it was already down to 2.7%. Additionally, the unemployment decline has been more pronounced in the second half of 2021, from 3.0% in August to 1.7%.

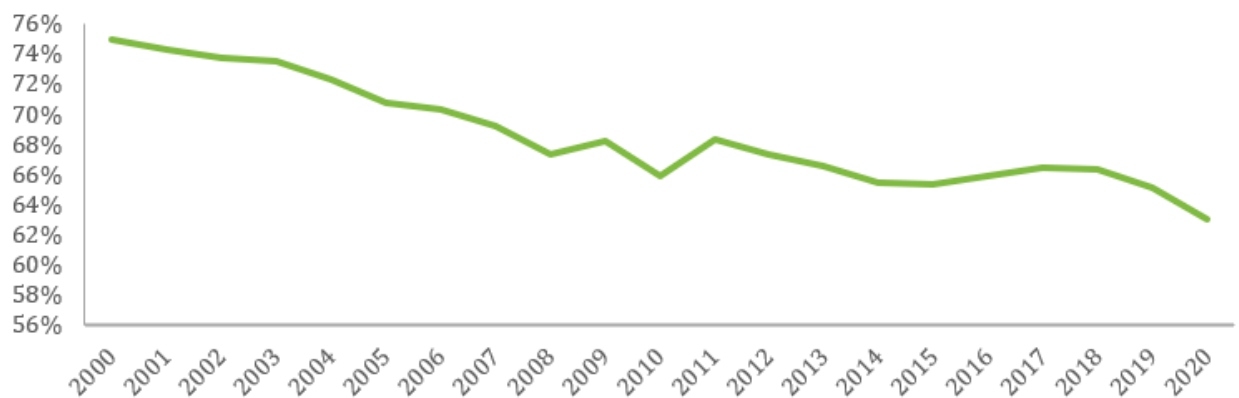
Graphic 7: Unemployment Rate



Source: Local Area Unemployment Statistics (LAUS), Bureau of Labor Statistics, Kewaunee County

Even though much of the recent attention on the labor market has focused on the difficulty employers face with finding and retaining workers, it is important to remember that some of those pressures were building up well before the pandemic – and will likely persist afterwards. Kewaunee County's labor force participation rate (LFPR) has been on a mostly downward trend since 2000, the time when the oldest members of the Baby Boomer generation were in the latest stages of their prime working years. More specifically, the local LFPR briefly stopped declining during the Great Recession but overall has decreased by 12 percentage points over the last 20 years. In 2020, Kewaunee County's LFPR of 63% was more than two percentage points lower than the statewide level of 65.5%, which further emphasizes the centrality of workforce quantity as one of the county's most significant economic challenges.

Graphic 8: Labor Force Participation Rate



Source: WI DWD, Office of Economic Advisors (OEA), Kewaunee County

