Manufacturing and Economic Trends: Determining Local Advantage Throughout Jefferson County

Wednesday, August 14, 2013
7:30 – 9:00 a.m.
Holiday Inn Express, Watertown

Sponsored By:
Jefferson County Economic Development Consortium (JCEDC)
Watertown Economic Development Organization (WEDO)
University of Wisconsin-Extension, Jefferson County Office
Agenda

* Introductions and welcome: John David, Chair, JCEDC and Mayor of Watertown

* Economic and Demographic Trends as a Context for Manufacturing: Steve Grabow, Community Development Educator, UW-Extension

* Types of Manufacturing and Implications for the Business Climate: Steve Deller, Community Economic Development Specialist, UW-Extension/UW-Madison

* Discussion on Future of Manufacturing Throughout Jefferson County: Panel led by Dennis Heling, Executive Director, JCEDC and Kim Erdmann, Executive Director, WEDO

* Adjourn: 9:00 a.m.
Forum Objectives and Resources

Objectives

- To bring business, economic development, and civic leaders together around the topic of manufacturing.

- To gain understanding of economic, demographic and other trends with implications for manufacturing.

- To gain understanding about categories of manufacturing and implications for economic strength.

- To initiate dialogue around the future of manufacturing in all Jefferson County communities and possible follow-up steps.

Resources

- Poster Plan: Jefferson County Comprehensive Plan with Economic Development Emphasis

- Draft Report: Analysis of Economic and Demographic Trends – Manufacturing Emphasis (June 2012)
Economic and Demographic Trends
As a Context for Manufacturing

Steve Grabow, University of Wisconsin-Extension, Jefferson County
Community Development Educator
Population Growth

- Modest rates of population growth over last decade
- Economic recession and housing market collapse slowed pace of growth significantly after 2006
- ICC Counties home to over 325,000 people

Data source: Census 2000 and 2010

Percent Population Change, 2000-2010

-14% to -7%
-6% to -1%
0% to 4%
5% to 14%
15% to 34%

Applied Population Laboratory
UW-Madison
Department of Community & Environmental Sociology
What Drives Population Change?

Population Change, 2000-2010:
ICC Counties

- Natural Increase
- Net Migration

<table>
<thead>
<tr>
<th>County</th>
<th>Natural Increase</th>
<th>Net Migration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wisconsin</td>
<td>4.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Columbia</td>
<td>2.3%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Dodge</td>
<td>1.7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Green Lake</td>
<td>-0.5%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Jefferson</td>
<td>5.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Marquette</td>
<td>6.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Sauk</td>
<td>3.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>
Age

- “Oldest” median ages in state’s history in 2010
- ICC counties in middle of pack compared to other areas
- Differences in patterns of aging
  - Local economies and job opportunities
  - In-migration of families and workers
  - Aging in place in Ag areas

**Median Age, 2010**

- 31 - 34
- 35 - 38
- 39 - 42
- 43 - 46
- 47 - 51

**WI median age: 38.5**

Data source: Census 2010
Latinos in ICC Counties

Growth of Latino Population, 2000 to 2010

ICC Counties

<table>
<thead>
<tr>
<th>County</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sauk County</td>
<td>938</td>
<td>2,675</td>
</tr>
<tr>
<td>Marquette County</td>
<td>215</td>
<td>391</td>
</tr>
<tr>
<td>Jefferson County</td>
<td>743</td>
<td>5,555</td>
</tr>
<tr>
<td>Green Lake County</td>
<td>393</td>
<td>1,444</td>
</tr>
<tr>
<td>Dodge County</td>
<td>2,188</td>
<td>3,522</td>
</tr>
<tr>
<td>Columbia County</td>
<td>827</td>
<td></td>
</tr>
</tbody>
</table>
Educational Attainment

Educational Attainment, 1990 to 2007-2011 ACS
ICC Counties and Wisconsin

- ICC Counties High School Diploma: 74.9%, 83.6%, 88.6%
- Wisconsin Total and Higher: 78.6%, 85.1%, 89.8%
- ICC Counties Associates: 19.0%, 22.7%, 27.7%
- Wisconsin Degree and Higher: 24.9%, 29.9%, 35.2%

Legend:
- Blue: 1990 Census
- Red: 2000 Census
- Green: 2007-2011 ACS
Wisconsin Per Capita Incomes by Census Block Group in 2010
Shown as a Percentage of the National Per Capita Income

Per Capita Incomes in 2010
(Block Group PCI as % of National PCI)
- 69.9% or Less
- 70.0% to 79.9%
- 80.0% to 89.9%
- 90.0% to 99.9%
- 100.0% (Local PCI = National PCI)
- 100.1% to 110.0%
- 110.1% to 120.0%
- 120.1% to 130.0%
- 130.1% or More

County Boundaries
State Borders

Data Sources: ESRI and UW-Extension
Created by UW-Extension Center for Community and Economic Development

Per Capita Incomes as a Percent of the National Per Capita Income for Selected Wisconsin Counties:

1. Douglas County 83.6%
2. Ashland County 73.1%
3. Bayfield County 74.2%
4. Burnett County 82.7%
5. Iron County 75.2%
6. Sawyer County 77.0%
7. Washburn County 74.6%
8. Barron County 80.7%

(National Per Capita Income = $26,739)

*Note: The figures are based on 2010 estimates from ESRI and will likely differ from values produced by federal agencies such as the Bureau of Economic Analysis or the U.S. Census Bureau.
Per Capita Income as a Percent of US

- Wisconsin
- Jefferson Cnty
- Dodge Cnty
Employment Growth Index


U.S. Wisconsin Jefferson Cnty Dodge Cnty
Types of Manufacturing and Implications for Business Climate

Steve Deller, University of Wisconsin-Extension/UW-Madison
Community Economic Development Specialist
Jefferson County

Δ LQ 2000-2010

manufacturing
<table>
<thead>
<tr>
<th>Activity</th>
<th>LQ 2010</th>
<th>Change 2000 to 2010</th>
<th>Share of Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utilities</strong></td>
<td>3.162</td>
<td>0.326</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>3.029</td>
<td>0.054</td>
<td>19.5</td>
</tr>
<tr>
<td><strong>Farm</strong></td>
<td>2.626</td>
<td>0.302</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>State and Local Govt</strong></td>
<td>1.865</td>
<td>0.082</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Federal Military</strong></td>
<td>1.659</td>
<td>0.123</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Arts, Entertainment and Recreation</strong></td>
<td>1.581</td>
<td>0.394</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Other Service Except Govt</strong></td>
<td>1.107</td>
<td>0.195</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Information Serv</strong></td>
<td>1.050</td>
<td>0.274</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>1.035</td>
<td>0.272</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Administration and Waste Services</strong></td>
<td>2.299</td>
<td>-1.676</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Health Care and Social Assistance</strong></td>
<td>1.297</td>
<td>-0.323</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Real Estate, Rental and Lease</strong></td>
<td>1.200</td>
<td>-0.687</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>Management of Companies and Enterprises</strong></td>
<td>0.879</td>
<td>0.501</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Finance and Insurance</strong></td>
<td>0.953</td>
<td>0.140</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Transportation and Warehousing</strong></td>
<td>0.859</td>
<td>0.105</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Wholesale Trade</strong></td>
<td>0.454</td>
<td>0.101</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>Forestry, Fishing and Related</strong></td>
<td>0.490</td>
<td>0.087</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Professional and Technical Services</strong></td>
<td>0.542</td>
<td>0.031</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Federal Civilian</strong></td>
<td>0.276</td>
<td>-0.061</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Accommodation and Food Services</strong></td>
<td>0.667</td>
<td>-0.121</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Mining</strong></td>
<td>0.218</td>
<td>-0.174</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Educational Services</strong></td>
<td>0.519</td>
<td>-0.247</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Retail Trade</strong></td>
<td>0.782</td>
<td>-0.554</td>
<td>10.0</td>
</tr>
</tbody>
</table>
### Jefferson County Manufacturing Profile: Ranked On Location Quotient

<table>
<thead>
<tr>
<th>Industry</th>
<th>LQ</th>
<th>Employment</th>
<th>Share of Employment</th>
<th>Labor Income per Job</th>
<th>Total Income per Job</th>
<th>Output per Job</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motorcycle, bicycle, and parts mfg</td>
<td>256.22</td>
<td>679</td>
<td>1.44</td>
<td>83,484</td>
<td>178,900</td>
<td>640,853</td>
</tr>
<tr>
<td>Motor and generator mfg</td>
<td>89.75</td>
<td>819</td>
<td>1.74</td>
<td>72,526</td>
<td>141,730</td>
<td>336,785</td>
</tr>
<tr>
<td>Wood television, radio, and sewing machine cabinet mfg</td>
<td>46.59</td>
<td>411</td>
<td>0.87</td>
<td>68,019</td>
<td>130,691</td>
<td>259,277</td>
</tr>
<tr>
<td>Mattress mfg</td>
<td>40.54</td>
<td>255</td>
<td>0.54</td>
<td>42,886</td>
<td>102,018</td>
<td>318,741</td>
</tr>
<tr>
<td>Dog and cat food mfg</td>
<td>35.76</td>
<td>221</td>
<td>0.47</td>
<td>64,726</td>
<td>281,475</td>
<td>1,201,144</td>
</tr>
<tr>
<td>Metal can, box, and other metal container (light gauge) mfg</td>
<td>26.25</td>
<td>229</td>
<td>0.49</td>
<td>74,394</td>
<td>187,048</td>
<td>637,849</td>
</tr>
<tr>
<td>Flour milling and malt mfg</td>
<td>22.04</td>
<td>95</td>
<td>0.20</td>
<td>72,779</td>
<td>174,689</td>
<td>1,262,855</td>
</tr>
<tr>
<td>Boat building</td>
<td>21.97</td>
<td>148</td>
<td>0.31</td>
<td>47,994</td>
<td>54,269</td>
<td>192,150</td>
</tr>
<tr>
<td>Animal (except poultry) slaughtering, rendering, and processing</td>
<td>18.55</td>
<td>1,152</td>
<td>2.45</td>
<td>53,807</td>
<td>61,489</td>
<td>456,687</td>
</tr>
<tr>
<td>Nonupholstered wood household furniture mfg</td>
<td>18.46</td>
<td>169</td>
<td>0.36</td>
<td>38,370</td>
<td>57,958</td>
<td>124,266</td>
</tr>
</tbody>
</table>

### Jefferson County Manufacturing Profile: Ranked On Employment

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<td>0.87</td>
<td>68,019</td>
<td>130,691</td>
<td>259,277</td>
</tr>
<tr>
<td>Other plastics product mfg</td>
<td>5.24</td>
<td>359</td>
<td>0.76</td>
<td>47,565</td>
<td>73,175</td>
<td>226,546</td>
</tr>
<tr>
<td>Mattress mfg</td>
<td>40.54</td>
<td>255</td>
<td>0.54</td>
<td>42,886</td>
<td>102,018</td>
<td>318,741</td>
</tr>
<tr>
<td>Metal can, box, and other metal container (light gauge) mfg</td>
<td>26.25</td>
<td>229</td>
<td>0.49</td>
<td>74,394</td>
<td>187,048</td>
<td>637,849</td>
</tr>
<tr>
<td>Frozen food mfg</td>
<td>9.38</td>
<td>224</td>
<td>0.48</td>
<td>38,198</td>
<td>63,503</td>
<td>237,055</td>
</tr>
<tr>
<td>Other rubber product mfg</td>
<td>17.63</td>
<td>222</td>
<td>0.47</td>
<td>43,307</td>
<td>74,865</td>
<td>237,055</td>
</tr>
<tr>
<td>Dog and cat food mfg</td>
<td>35.76</td>
<td>221</td>
<td>0.47</td>
<td>64,726</td>
<td>281,475</td>
<td>1,201,144</td>
</tr>
</tbody>
</table>

### Jefferson County Manufacturing Profile: Ranked On Labor Income per Job

<table>
<thead>
<tr>
<th>Industry</th>
<th>LQ</th>
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<th>Labor Income per Job</th>
<th>Total Income per Job</th>
<th>Output per Job</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soap and cleaning compound mfg</td>
<td>15.05</td>
<td>127</td>
<td>0.27</td>
<td>187,790</td>
<td>610,559</td>
<td>1,589,725</td>
</tr>
<tr>
<td>Breweries</td>
<td>6.06</td>
<td>44</td>
<td>0.09</td>
<td>156,567</td>
<td>394,365</td>
<td>947,906</td>
</tr>
<tr>
<td>Relay and industrial control mfg</td>
<td>0.18</td>
<td>1</td>
<td>0.00</td>
<td>132,760</td>
<td>205,689</td>
<td>400,289</td>
</tr>
<tr>
<td>Pharmaceutical preparation mfg</td>
<td>1.49</td>
<td>120</td>
<td>0.26</td>
<td>105,138</td>
<td>271,808</td>
<td>1,075,756</td>
</tr>
<tr>
<td>Lawn and garden equipment mfg</td>
<td>9.32</td>
<td>25</td>
<td>0.05</td>
<td>94,714</td>
<td>158,668</td>
<td>460,952</td>
</tr>
<tr>
<td>Soft drink and ice mfg</td>
<td>6.71</td>
<td>152</td>
<td>0.32</td>
<td>90,387</td>
<td>112,245</td>
<td>731,420</td>
</tr>
<tr>
<td>Industrial process furnace and oven mfg</td>
<td>9.93</td>
<td>20</td>
<td>0.04</td>
<td>86,035</td>
<td>114,803</td>
<td>243,838</td>
</tr>
<tr>
<td>Motorcycle, bicycle, and parts mfg</td>
<td>256.22</td>
<td>679</td>
<td>1.44</td>
<td>83,484</td>
<td>178,900</td>
<td>640,853</td>
</tr>
<tr>
<td>Adhesive mfg</td>
<td>9.94</td>
<td>52</td>
<td>0.11</td>
<td>81,990</td>
<td>107,006</td>
<td>533,640</td>
</tr>
<tr>
<td>Rolling mill and other metalworking machinery mfg</td>
<td>3.63</td>
<td>8</td>
<td>0.02</td>
<td>81,495</td>
<td>97,251</td>
<td>233,760</td>
</tr>
</tbody>
</table>
In the simplest sense there are **TWO** broad types of manufacturing:

<table>
<thead>
<tr>
<th>Product</th>
<th>Commodity</th>
</tr>
</thead>
<tbody>
<tr>
<td>The manufactured good is differentiable.</td>
<td>The manufactured good is common.</td>
</tr>
<tr>
<td>People are willing to pay a premium for the good.</td>
<td>People are looking for lowest prices.</td>
</tr>
<tr>
<td>Tends to use higher levels production technologies.</td>
<td>Tends to use lower levels production technologies.</td>
</tr>
<tr>
<td>Fewer jobs, but tend to be higher paying.</td>
<td>More jobs, but tend to be lower paying.</td>
</tr>
</tbody>
</table>
Companies will spend millions of dollars in advertising to transition their good from a “commodity” to a “product”.

Pepsi vs Coke
Red Bull vs Moster
Ford vs Chevy
When making location and expansion decisions “commodity” and “product” manufacturers look to very different community characteristics.

These different characteristics are often talked about in terms of “business climate”.

What does a “positive business climate” mean to you?
Manufacturers that produce “commodities” tend to compete on price. They do this by operating at the lowest possible costs.

- Cheap labor
- Low taxes
- Limited regulation

Business Climate?

More jobs, but lower paying jobs.
This way of thinking dominated the “First Wave” of economic development thinking....... 

....the Mississippi Balance Agriculture with Industry Act (BAWI) policies of the Great Depression era laid the foundation for the “new war between the states”.

Countless number of companies-consultants have developed measures or indices of business climate:

- Fantus Company
- Grant Thornton
- Small Business and Entrepreneurship Council
- Beacon Hill Institute
- Progressive Policy Institute
- Fraser Institute and the National Center for Policy Analysis
- Corporation for Enterprise Development
- And many, many others
There are **problems** with these different measures:

1. There is little consistency across the different measures.

2. **None are satisfactory predictors of economic growth.**

We have really had to rethink what we mean by business climate.
Increasingly, firms, particularly product focused manufacturers, are looking for:

- High quality infrastructure (broadband)
- Quality public services such as police/fire protection
- Skilled labor
- Consistency in rules-regulations
- Generally high quality of life characteristics

and not only offer low cost alternatives for the firm but, more importantly, offer a viable comparative advantage over other locations.
Business Climate has more to do with the “attitude of the community”:

• Willingness to work together
• Willingness to experiment
• Willingness to learn from mistakes
• Willingness to look within

Is the community entrepreneurial?
Commodity based manufacturing:

- More jobs but lower paying
- Focus on the cost of doing business
  ("old school" view of business climate)

Product based manufacturing:

- Fewer jobs but higher paying
- Focus on the quality of services
  ("entrepreneurial" view of business climate)
Summary of Message Points on Manufacturing in Jefferson County

1. Manufacturing is a strength.
2. Manufacturing is a cluster of specialization.
3. Manufacturing is growing locally relative to the nation and Wisconsin.
4. Manufacturing is a priority for attention and emphasis in the Jefferson County “Economic Vision”; this priority has been reaffirmed locally in Watertown.
5. New ideas on modern manufacturing and business climate implications present opportunities for our area.
6. The entire business, economic development and civic sectors have key roles in strengthening the manufacturing sector.
Discussion on the Future of Manufacturing Throughout Jefferson County

Panel led by:
Dennis Heling, JCEDC Executive Director,
Kim Erdmann, WEDO Executive Director,
Steve Deller and Steve Grabow

Prompting Questions:

a. What do you see as opportunities to build on our area’s manufacturing strengths?

b. What are your ideas for retaining our area’s strong position on “modern manufacturing”?

c. What are follow-up strategies for building capacity in the manufacturing sector?