



M&I Central Bank & Trust



Marshfield Area Chamber
Of Commerce & Industry's
Marshfield Economic
Development Association

MARSHFIELD AREA 1990 ECONOMIC INDICATORS

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Overview

National economic statistics in Table 1 show that the country is in the midst of a slowdown. Preliminary reports indicate that Real Gross National Product increased by only .74 percent from second quarter 1989. Thus, the record long peacetime expansion is flirting with recession. Another measure of activity, industrial production, increased by a mere 1.3 percent from June 1989. Even these modest growth rates are optimistic since a good portion of the increase went toward inventory buildup. Inflation continued to be quite stubborn over the course of the year. The rate of increase for consumer prices hovers around the 5 percent level and is higher than many analysts believe is healthy for the long-run vitality of an economy.

On the positive side, unemployment rates for each of the three counties of Central Wisconsin plunged to record low levels for the second quarter time period. For the region the unemployment rate sunk to a very low 3.9 percent for June. In contrast the unemployment rate for the state stood at 4.1 percent.

The good news concerning regional unemployment rates was tempered somewhat by the declines in the total number of people employed. For each county a decrease was recorded. This is the first time since the early 1980s that total employment in Central Wisconsin is below a previous year. The region experienced a preliminary decline in employment of 2600 positions or approximately a drop of 2.0 percent. The national economy continues to flirt with recession, employment from last year grew at an anemic 1.1 percent.

A more optimistic view of the local economy is depicted in the amount of growth taking place in our industrial sectors. Employment grew by approximately 3.0 percent from last year with the majority of the sectors reporting solid gains from twelve months ago. Service sector job growth was the leader this quarter and paced all activity with a 6.2 percent gain from June of 1989. Trade and manufacturing also contributed to the positive situation with gains of 1500 and 300 respectively. Key Central Wisconsin industries, the foundation of our regional economy, grew by a very small 1.1 percent over the course of the year. Softness was especially apparent in the food processing and finance, insurance, and real estate categories. There employment levels are estimated to have receded by 200 and 300 jobs respectively. Paper products along with lumber and wood products were the bright spots for the local economy increasing by 3 percent and 9.6 percent.

The consensus among regional business leaders is that economic conditions will not change that much in the months ahead. However, views concerning the future, especially regarding expected changes in their particular industries, were much less optimistic than three months earlier and the situation warrants close attention in future quarters by the CWERB.

The Marshfield-Wood County economy appears to have expanded in spite of a very weak situation nationally. However, given the lag that exists between macroeconomic

and international events and the local scene, the future of the regional economy becomes cloudy and unclear. Positive factors at the local level in this quarter's report include expanding industrial employment and strong activity in residential construction.

The determining influence of the national economy on local matters suggests that all interested individuals keep an eye on Washington and data concerning the U.S. Economy. At the time of this report several parts of the country are now in or are on the brink of sliding into a recession. The northeast is a prime example of a region that is already in recession. Wisconsin's neighbor to the south, Illinois, is near recession and Michigan, to the east, may have already crossed the line into recession.

National and Regional Outlook

The U.S. economy continued to sputter along during second quarter 1990 and is now teetering on the brink of recession. Six states, Michigan, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont are now considered to be in recession. Moreover, 11 other states are very close to being in recession, with Illinois falling into the latter category. The state of Wisconsin is considered to be in a very sluggish mode with job growth being ever more difficult to obtain. Given this background, the Federal Reserve System recently moved to lower interest rates in an effort to help stimulate the economy. However, many analysts believe that the Fed's preoccupation with inflation has caused the Central Bank of the United States to do too little too late. In other words, any stimulus generated from lower interest rates will have come too late for many parts of the country.

The consensus view of a blue ribbon panel of economists is that the national economy, taken in its entirety, will continue to avoid recession because of rising exports and lower interest rates. GNP is forecasted to grow at meager 1.6 percent for the remainder of the year. But any growth at all will be very hard to come by for many parts of the country and many states will experience growing unemployment and slip into recession, if they have not ready done so. The forecast for inflation by this group of analysts is around 4 percent for the remainder of the year, with interest rates moderating over the same period.

The influence of the U.S. economy on Wisconsin and our region is an indisputable fact. Our region, for a variety of reasons, tends to lag the rest of the country in expansions and downturns. The implication is that even if the national economy avoids recession, its sluggish behavior will influence events in Wisconsin in the quarters ahead.

**TABLE 1:
NATIONAL ECONOMIC STATISTICS**

	1989 Second Quarter	1990 Second Quarter	Percent Change
Nominal Gross Domestic Product (Billions)	\$5,201.7	\$5,454.6	+4.9
Real Gross Domestic Product (Billions of 1982 \$)	\$4,132.5	\$4,163.2	+0.7
Industrial Production (1987= 100)	108.4	109.8	+1.3
Three Month U.S. Treasury Bill Rate	6.59%	7.78%	+18.1
Consumer Price Index (1982-84 = 100)	124.1	128.3	+4.7

Central Wisconsin

The Central Wisconsin economy, which is comprised of Portage, Wood, and Marathon Counties, experienced a quantifiable slowdown during the second quarter of 1990. Even though some indicators, taken at face value, were improved over last year's marks, further investigation reveals that the improvements were attributable to undesirable developments, e.g. the decline in the unemployment rate was tempered by the smaller labor force. One of the most important measures of economic performance is total employment growth. For the second quarter in a row, total employment fell in the region. On a more uplifting note, industrial employment in the region managed to post a very respectable 3.6 percent gain. Given the softness in total, and key Central Wisconsin industries employment growth, and the decline in regional business confidence from last quarter, the evidence suggests that the region has experienced some difficulty. This outcome parallels closely the situation prevailing at the national level where the economy appears to be on the brink of recession.

The unemployment rates in the region are much below last year's levels, Table 2. However, the sharp decline in these rates from a year ago is due more to a contracting labor force than to job growth and economic expansion. The rates now stand at 4.0 percent for Portage and Wood Counties and 3.6 percent for Marathon County. The Central Wisconsin unemployment rate fell 4.8 percent to 3.9 percent. For the record, all three counties on an individual and collective basis have unemployment rates that are at decade low levels for second quarter.

After enjoying a number of years of solid, steady job growth, Central Wisconsin has experience a decline in total employment for the second quarter in a row, Table 3. When June 1990 is compared with June of 1989, all three counties in Central Wisconsin saw employment contraction. For Portage, Wood, and Marathon Counties the decline in total employment was 1100, 900, and 600 respectively. Overall, Central Wisconsin total employment declined by approximately 2.0 percent from last year.

Table 4 presents industrial employment and paints a more positive picture of regional conditions. Three out of the five major categories registered gains from 1989. Manufacturing, services, and trade added approximately 300, 2300, and 1500 people to their respective payrolls. Only the construction and government sectors experienced declines in employment. In sum, Central Wisconsin gained approximately 3.6 thousand jobs, an increase of 3.3 percent. For many of the industrial sectors employment is at a decade high regardless of the time of year. For example, the manufacturing and service sectors.

Table 5 presents data concerning key Central Wisconsin industries. Paper products and lumber and wood products posted gains of 300 and 500 positions. In contrast to this food processing and finance, insurance, and real estate employment declined by 200 and 300 jobs respectively. Thus, the combined results show that Central Wisconsin employment rose by a scant 1.1 percent or 300 jobs from a year ago. The data suggests some sluggishness in these very important sectors.

The Business Confidence Index (Table 6) presents the results of CWERB interviews with regional business leaders. With regard to the present situation, these individuals believe that the economic situation at the national and local levels is virtually unchanged when contrasted with the same period a year ago. When asked to forecast the future course of the economy, the majority believed that matters will remain unchanged in the months ahead. However, it should be noted that this regional panel of experts expressed much less optimism about the performance of their particular industries than they did three months ago.

**TABLE 2:
UNEMPLOYMENT IN CENTRAL WISCONSIN**

	Unemployment Rate June 1989	Unemployment Rate June 1990	Percent Change
Portage	4.9%	4.0%	-18.4
Marathon	4.3%	3.6%	-16.3
Wood	5.5%	4.0%	-27.3
Central Wisconsin	4.8%	3.9%	-18.8
Wisconsin	4.5%	4.1%	-8.9
United States	5.3%	5.3%	0

**TABLE 3:
EMPLOYMENT IN CENTRAL WISCONSIN**

	Total Employment June 1989 (Thousands)	Total Employment June 1990 (Thousands)	Percent Change
Portage	31.6	30.5	-3.5
Marathon	63.5	62.6	-1.4
Wood	37.2	36.6	-1.6
Central Wisconsin	132.3	129.7	-2.0
Wisconsin	2,552.3	2,499.0	-2.1
United States	117,542	119,605	+1.8

**TABLE 4:
CENTRAL WISCONSIN EMPLOYMENT CHANGE BY SECTOR**

	Employment June 1989 (Thousands)	Employment June 1990 (Thousands)	Percent Change
Manufacturing	30.4	30.9	+1.6
Durable goods	13.4	13.9	+3.7
Nondurable goods	17.0	17.0	0
Services	37.4	39.7	+6.2
Trade	27.0	28.5	+5.6
Construction	4.3	3.9	-9.3
Government	15.8	15.7	-0.6

**TABLE 5:
EMPLOYMENT IN KEY CENTRAL WISCONSIN INDUSTRIES**

<u>Industry</u>	Employment September 1989 (Thousands)	Employment September 1990 (Thousands)	Percent Change
Paper Products	9.9	10.2	+3.0
Lumber and Wood Products	5.2	5.7	+9.6
Food Processing	4.6	4.4	-4.3
Finance, Insurance, and Real Estate	7.7	7.4	-3.9

**TABLE 6:
BUSINESS CONFIDENCE IN CENTRAL WISCONSIN**

	Index Value	
	March 1990	June 1990
Recent Change in National Economic Conditions	46	51
Recent Change in Local Economic Conditions	50	57
Expected Change in National Economic Conditions	55	50
Expected Change in Local Economic Conditions	59	52
Expected Change in Industry Conditions	60	49

Stevens Point

The local economy appears more than ever to be slowing down. Results for second quarter 1990 reveal that the local economy is behaving much like the national economy. Locally, total employment for 1st quarter was unchanged from the previous year. Moreover, total employment for second quarter actually declined in Portage County from last year. Softness was also detected in the industrial sectors, with most classifications reporting declines in employment. Other data presented in the second quarter report indicate that the economy will continue to be sluggish for at least the next several months. Close attention must be paid to national macroeconomic events, as their influence on the local situation will surely decide the course of the local economy for the remainder of the year. However, as mentioned in previous reports, local factors and endowments will play the major role in the continued long run viability of our area, e.g. water, land, labor force, central location, etc.

Table 7 presents Portage County employment by major industrial sector. Manufacturing, services, and construction employment levels were lower than a year ago. Only trade posted a scant gain of 1.6 percent. The reported gain in government employment is a statistical aberration and can be explained by the exclusion of teachers in the 1989 June employment count. Given the long term historic trend it is estimated that government employment is actually at about the same level as last year. Thus, nonfarm employment most likely declined in the area by approximately 1200 positions.

The CWERB merchant survey for Portage County is presented in Table 8. Local merchants believe that matters have improved. They reported that store traffic and sales were somewhat better than a year ago at the same time. Further, when asked about their future prospects, this group expects store traffic and sales to increase in the time period ahead.

For the fourth consecutive quarter help wanted advertising has declined in the Stevens Point area, Table 9. Declines in help wanted advertising have also taken place at the national level. For June 1990, this barometer of future employment growth shrank by 13.5 percent for Portage County and 11 percent for the United States. This forecasting device suggests a continued slowdown in job creation in the months ahead. Sluggish employment data for the past several quarters at the local and national levels, appear to confirm index-based forecasts.

Local family financial distress is portrayed in Tables 10 and 11. The data for second quarter 1990 indicate that new applications for public assistance claims were higher by 23.1 percent, rising from a monthly average of 104 to 128. In conjunction with this, the total caseload increased by .7 percent or an average of 11 cases per month. In contrast to this information, Table 11 shows that new unemployment claims on a weekly average basis have declined by 14.6 percent or 6 claims per week. Moreover, total unemployment claims have dropped from an average of 103 per week to 77, a decrease of 25.2 percent. The data in both Table 10 and 11 show considerable

improvement over the values recorded several years before, a clear indicator that the economy has made great strides over the past few years.

Residential construction, a leading economic indicator of overall future activity, continues to lag behind the marks established in prior years. In all reported categories construction activity fell behind the 1989 pace. The information presented in Table 12 includes a broad geographic area in order to capture activity in the neighboring townships and is thus a good barometer as to the health of the construction sector as well as the overall economy.

Table 13 contains nonresidential construction information for the local area. The results for second quarter 1990 fall close to the historic norms for the various categories of activity. Percentage changes from year to year are not given due to the inherent volatility of nonresidential construction activity.

The financial statistics for second quarter 1990 are presented in Table 14. The amount of bank deposits, a measure of local liquidity, reached a record high for second quarter rising from \$287.5 to \$311.2 million or a gain of 8.2 percent Bank lending, a measure of economic activity, reached an all-time high regardless of the time of year. Lending reached \$230.0 million, and increase of \$14.1 million from last year. As stated in previous reports, the lending figure may be overstated somewhat due to intercompany transfers of assets.

**TABLE 7:
PORTAGE COUNTY EMPLOYMENT CHANGE BY SECTOR**

	Employment June 1989	Employment June 1990	Percent Change
Manufacturing	5,200	4,800	-7.7
Services	8,980	8,870	-1.2
Trade	6,200	6,300	+1.6
Construction	770	620	19.5
Government	4,400	5,300	+20.5

**TABLE 8:
RETAILER CONFIDENCE IN STEVENS POINT-PLOVER AREA**

	Index Value	
	March 1990	June 1990
Total Sales Compared to Previous Year	55	64
Store Traffic Compared to Previous Year	53	59
Expected Sales Three Months From Now	59	64
Expected Store Traffic Three Months From Now	65	66
100 = Substantially Better 50 = Same 0 = Substantially Worse		

**TABLE 9:
HELP WANTED ADVERTISING IN PORTAGE COUNTY**

	Index Value	
	1989	1990
Stevens Point (June) (1980 = 100)	296	256
U.S. (May) (1967 = 100)	154	137

**TABLE 10:
PUBLIC ASSISTANCE CLAIMS IN PORTAGE COUNTY**

	1989 Second Quarter (Monthly Avg.)	1990 Second Quarter (Monthly Avg.)	Percent Change
New Applications	104	128	+23.1
Total Caseload	1,401	1,411	+0.7
*As of First Quarter 1986 Public Assistance Claims in Marshfield are being compiled on a county-wide basis.			

**TABLE 11:
UNEMPLOYMENT CLAIMS IN PORTAGE COUNTY**

	1989 Second Quarter (Weekly Avg.)	1990 Second Quarter (Weekly Avg.)	Percent Change
New Claims	41	35	-14.6
Total Claims	103	77	-25.2

**TABLE 12:
RESIDENTIAL CONSTRUCTION IN STEVENS POINT-PLOVER AREA***

	1989 Second Quarter	1990 Second Quarter	Percent Change
Residential Permits Issued	71	63	-11.3
Estimated Value of New Homes	\$6,461.1 (thousands)	\$4,589.9 (thousands)	-29.0
Number of Housing Units	121	89	-26.4
Residential Alteration Permits Issued	285	228	-20.0
Estimated Value of Alterations	\$937.9 (thousands)	\$683.9 (thousands)	-27.1
*Includes Stevens Point, Village of Plover, and the Towns of Hull, Stockton, Sharon, and Plover.			

**TABLE 13:
NONRESIDENTIAL CONSTRUCTION IN STEVENS POINT-PLOVER AREA***

	1989 Second Quarter	1990 Second Quarter
Number of Permits Issued	17	11
Estimated Value of New Structures	\$12,072.6 (thousands)	\$2,050.5 (thousands)
Number of Business Alteration Permits	72	62
Estimated Value of Business Alterations	\$974.0 (thousands)	\$2,674.6 (thousands)
*Includes Stevens Point, Village of Plover, and the Towns of Hull, Stockton, Sharon, and Plover.		

**TABLE 14:
FINANCIAL STATISTICS FOR PORTAGE COUNTY**

	1989 Second Quarter (Millions)	1990 Second Quarter (Millions)	Percent Change
Bank Deposits	\$287.5	\$311.2	+8.2
Bank Loans	215.9	\$230.0	+6.5

Wausau

The second quarter economic performance of Wausau-Marathon County is a bright spot in the Central Wisconsin economy. In contrast to other parts of the region, data for the Wausau area suggest that the overall slowdown which is taking place in those areas has not yet crept into the local economy. Historically, the Wausau area has tended to react slower to economic fluctuations than the country as a whole. It will be interesting to see if this is once again the case.

Sources of strength for this quarter include growth in manufacturing, services, and trade employment. This is in sharp contrast to U.S. employment growth, where sluggishness is the rule rather than the exception. Further, such indicators as residential construction, help wanted advertising, and local financial statistics were all positive in nature.

Industrial sector employment, in contrast to total employment, grew at a rather brisk pace from last year, Table 7. All classifications except for construction posted healthy increases. Service and trade sector employment paced this quarter's results by adding 1800 and 1300 people to their respective payrolls. Not far behind in the level of growth was manufacturing, with 800 additional people employed in the local area. These three sectors reached all-time employment highs regardless of the time of year. Only construction employment was below last year's totals. In sum nearly 4,200 new jobs now exist in Marathon County compared to one year ago.

Retailer confidence appears to be holding firm in the Wausau area, Table 8. The CWERB survey of local merchants indicates that retailers believe store traffic and sales are better than a year ago. Further this group believes that store traffic and sales will continue to exceed last year's levels. The results of the poll are in contrast to national data concerning consumer sentiment about the economy, where there is a lesser degree of confidence.

For the first time in five quarters the help wanted advertising index stands above, if only marginally, the previous year's mark for the Wausau area. This barometer of future employment growth implies that job availability in the short-term should be at approximately the same level as last year. The national index contracted by nearly 11 percent from a year ago and continues the trend of national employment advertising contraction. This result is no surprise given the reported difficulties permeating the national economy.

Indications that the local economy has seen improvement in economic conditions over the latter part of the 1980s comes from an examination of public assistance and unemployment claims data. Tables 10 and 11 present current information on the state of local family financial distress. Public assistance claims have declined from an average of 23 per month to 10 for second quarter, a drop of 56.5 percent. Likewise, total caseload fell to an average of 76 cases per month from 107, a contraction of 29 percent. In Table 11, initial unemployment claims, on a weekly average basis, have

declined by nearly 6.5 percent or 12 claims per week. Total claims increased slightly, rising from 1465 to 1493 on a weekly average basis.

Residential construction data in Table 12 presents information on Wausau and surrounding areas. Construction activity, a leading economic indicator, continued to be strong relative to earlier years. Most categories of activity were higher than or closely approximated the strong showing of second quarter 1989. The Rib Mountain area accounted for approximately \$3.3 million of the estimated value of new homes in the area, with Wausau contributing around \$3.0 million to the total. Of the Wausau total about \$1.05 million is attributed to a new 30 unit apartment complex on Grand Avenue.

Table 13 presents nonresidential construction numbers for the area. Percentage changes from a year ago are not provided due to the singular and thus volatile nature of this type of activity. Major nonresidential alteration activity for second quarter includes the \$500,000 remodeling at IBM and the \$1.5 million project by the Wausau School District.

Financial statistics for the greater Wausau area are given in Table 14. The sample for second quarter shows bank deposits rising by \$57.1 million, an increase of over 9 percent. Besides the increase in local liquidity, bank lending continues to expand. For second quarter bank loans increased by \$27.8 million over last year's mark. The \$664.6 million in deposits and \$507.5 in loans are all-time highs for the sample regardless of the time of year.

**TABLE 7:
MARATHON COUNTY EMPLOYMENT CHANGE BY SECTOR**

	Employment June 1989 (Thousands)	Employment June 1990 (Thousands)	Percent Change
Manufacturing	14.6	15.4	+5.5
Services	15.4	17.2	+11.7
Trade	12.7	14.0	+10.2
Construction	2.2	2.0	-9.1
Government	5.8	6.3	+8.6

**TABLE 8:
RETAILER CONFIDENCE IN WAUSAU**

	Index Value	
	March 1990	June 1990
Total Sales Compared to Previous Year	66	65
Store Traffic Compared to Previous Year	67	66
Expected Sales Three Months From Now	68	67
Expected Store Traffic Three Months From Now	67	67
100 = Substantially Better 50 = Same 0 = Substantially Worse		

**TABLE 9:
HELP WANTED ADVERTISING IN WAUSAU**

	Index Value	
	1989	1990
Wausau (June) (1980 = 100)	237	238
U.S. (May) (1967 = 100)	154	137

**TABLE 10:
PUBLIC ASSISTANCE CLAIMS IN MARATHON COUNTY**

	1989 Second Quarter (Monthly Avg.)	1990 Second Quarter (Monthly Avg.)	Percent Change
New Applications	23	10	-56.5
Total Claims	107	76	-29.0

*As of First Quarter 1986 Public Assistance Claims in Marshfield are being compiled on a county-wide basis.

**TABLE 11:
UNEMPLOYMENT CLAIMS IN WAUSAU ***

	1989 Second Quarter (Weekly Avg.)	1990 Second Quarter (Weekly Avg.)	Percent Change
New Claims	184	172	-6.5
Total Claims	1,465	1,493	+1.9

* Includes Medford Area.

**TABLE 12:
RESIDENTIAL CONSTRUCTION IN WAUSAU AREA**

	1989 Second Quarter	1990 Second Quarter	Percent Change
Residential Permits Issued	84	78	-7.1
Estimated Value of New Homes	\$7,189.1 (thousands)	\$7,895.3 (thousands)	+9.8
Number of Housing Units	99	121	+22.2
Residential Alteration Permits Issued	308	256	-16.9
Estimated Value of Alterations	\$944.8 (thousands)	\$1,165.9 (thousands)	+23.4

*Data Collected by University of Wisconsin-Marathon Center

**TABLE 13:
NONRESIDENTIAL CONSTRUCTION IN WAUSAU AREA**

	1989 Second Quarter	1990 Second Quarter
Number of Permits Issued	19	10
Estimated Value of New Structures	\$3,583.5 (thousands)	\$1,563.4 (thousands)
Number of Business Alteration Permits	24	33
Estimated Value of Business Alterations	\$885.5 (thousands)	\$3,923.0 (thousands)

**TABLE 14:
FINANCIAL STATISTICS FOR MARATHON COUNTY**

	1989 Second Quarter (Millions)	1990 Second Quarter (Millions)	Percent Change
Bank Deposits	\$607.5	\$664.6	+9.4
Bank Loans	\$479.7	\$507.5	+5.8
*Data Collected by University of Wisconsin-Marathon Center			

Marshfield

Even though many economic indicators were positive in nature and the overall trend was encouraging, *there were* a few signals or hints that the Marshfield-Wood County economy has become a bit soft. This of course is very similar to the national situation where the U.S. economy appears to be on the brink of recession. The positive local information comes from data concerning industrial sector employment, help wanted advertising, and residential construction. However, the soft spots include a shrinking labor force, declining total employment, and increases in local family financial distress.

The national economy can and does influence local matters on a lagged basis. Given the precarious position of the national economy and the ramifications of events in the middle east, it behooves all concerned individuals to keep a *close eye* on the situation.

Nonfarm industrial employment in Wood County continues to increase with all categories posting gains, Table 7. This situation runs counter to developments in Portage County where job growth encountered some difficulties. Manufacturing and services reached record levels of employment gaining 100 and 600 positions from last year. Overall there are approximately 1000 more people employed in the county's nonfarm activities or a 2.7 percent gain. The CWERB estimates the Marshfield area economy expanded by about 2.9 percent. This estimate is based on the historic employment relationship between Wood County and Marshfield.

Retailers in the Marshfield area believe that store traffic was unchanged from a year ago, Table 8. In contrast, sales are perceived to have improved from the earlier period. Questions concerning expected store traffic and sales provide a forecasting device for future overall economic activity. In these categories the local merchants predict that sales will be somewhat better than in 1989, but store traffic is expected to remain at about the same level.

After three consecutive quarters of help wanted advertising decline, a reversal of this negative trend has taken place. For second quarter of 1990 the index stands at 286 compared with 236 during second quarter 1989. This represents a very healthy 22 percent surge in advertising. This is welcome news for the community in light of recent layoffs at Weyerhaeuser. By comparison the U.S. help wanted advertising index continues to lag behind the previous year levels.

Tables 10 and 11 present data on local family financial distress. Here the news is not as positive. For public assistance, new applications rose from a monthly average of 26 to 31. Total caseload on the other hand declined from 622 to 582 from a year ago. In the category of initial unemployment claims filed, the number rose by 19.4 percent from 1989, while total unemployment claims increased by an *even greater percentage*, 36.4 percent. Thus, *local* layoffs appear to be having an impact on these statistics.

A very important leading economic indicator and barometer of *the overall wellbeing* of an economy is residential construction. The information in Table 12 is very

encouraging for the local economy given the softness in construction nationally. Each and every construction classification was significantly above last year's levels. Highlights from this quarter's report are the number of residential permits issued, 28, and the estimated value of these new homes at nearly \$2 million.

Nonresidential construction in Table 13 is presented without percentage changes from a year ago. As mentioned in previous reports, this kind of activity consists of large singular events. Therefore the numbers can be quite volatile from one period to the next. The estimated value of the two new projects in the Marshfield area was \$920,000. Further, the 12 alteration permits had a collective value of over \$1 million. These numbers are important because of their relationship to future economic growth and they also represent a commitment on the part of local businesses to the area.

Table 14 clearly shows that local financial conditions continue to expand and grow in the Marshfield area. Local liquidity, as measured by the sample of bank deposits, increased by nearly \$17 million. Moreover, lending in the Marshfield area shot up by a robust 14.5 percent or \$20.9 million. This latter figure is in contrast to the draw back in lending reported nationally.

Tables 15 and 16 present data on the Clark County economy. The statistics are *presented in order to give* the reader insight into the economic conditions of an important Marshfield trading area.

**TABLE 7:
WOOD COUNTY EMPLOYMENT CHANGE BY SECTOR**

	Employment June 1989	Employment June 1990	Percent Change
Manufacturing	10,600	10,700	+0.9
Services	12,990	13,590	+4.6
Trade	8,100	8,200	+1.2
Construction	1,330	1,34	+0.8
Government	3,900	4,100	+5.1
Marshfield Employment Index	131.2	135.0	+2.9

**TABLE 8:
RETAILER CONFIDENCE IN MARSHFIELD***

	Index Value	
	March 1990	June 1990
Total Sales Compared to Previous Year	62	61
Store Traffic Compared to Previous Year	63	52
Expected Sales Three Months From Now	63	65
Expected Store Traffic Three Months From Now	63	63
100 = Substantially Better 50 = Same 0 = Substantially Worse *Data collected by UW Marshfield-Wood County		

**TABLE 9:
HELP WANTED ADVERTISING IN MARSHFIELD**

	Index Value	
	1989	1990
Marshfield (June) (1980 = 100)	234	286
U.S. (May) (1967 = 100)	154	137

**TABLE 10:
PUBLIC ASSISTANCE CLAIMS IN WOOD COUNTY**

	1989 Second Quarter (Monthly Avg.)	1990 Second Quarter (Monthly Avg.)	Percent Change
New Applications	26	31	+19.2
Total Caseload	622	582	-6.4

*As of First Quarter 1986 Public Assistance Claims in Marshfield are being compiled on a county-wide basis.

**TABLE 11:
UNEMPLOYMENT CLAIMS IN WOOD COUNTY**

	1989 Second Quarter (Weekly Avg.)	1990 Second Quarter (Weekly Avg.)	Percent Change
New Claims	31	37	+19.4
Total Claims	66	90	+36.4

**TABLE 12:
RESIDENTIAL CONSTRUCTION IN MARSHFIELD AREA***

	1989 Second Quarter	1990 Second Quarter	Percent Change
Residential Permits Issued	20	28	+40.0
Estimated Value of New Homes	\$1,195.5 (thousands)	\$1,986.6 (thousands)	+66.2
Number of Housing Units	21	37	+76.2
Residential Alteration Permits Issued	52	77	+48.1
Estimated Value of Alterations	\$208.6 (thousands)	\$258.8 (thousands)	+24.1

*Data collected by UW Marshfield-Wood County

**TABLE 13:
NONRESIDENTIAL CONSTRUCTION IN MARSHFIELD AREA***

	1989 Second Quarter	1990 Second Quarter
Number of Permits Issued	18	2
Estimated Value of New Structures	\$5949.1 (thousands)	\$92.0 (thousands)
Number of Business Alteration Permits	14	12
Estimated Value of Business Alterations	\$403.6 (thousands)	\$1,038.1 (thousands)
*Data collected by UW Marshfield-Wood County		

**TABLE 14:
FINANCIAL STATISTICS FOR MARSHFIELD***

	1989 Second Quarter (Millions)	1990 Second Quarter (Millions)	Percent Change
Bank Deposits	\$201.0	\$217.3	+8.1
Bank Loans	\$144.3	\$165.2	+14.5
*Data collected by UW Marshfield-Wood County			

**TABLE 15:
CLARK COUNTY EMPLOYMENT BY SECTOR**

	June 1989	June 1990	Percent Change
Manufacturing	2,000	2,200	+10.0
Services	1,660	2,040	+622.9
Trade	2,000	1,970	-1.5
Construction	270	270	0
Government	1,880	1,850	-1.6

**TABLE 16:
CLARK COUNTY EMPLOYMENT STATISTICS**

	June 1989	June 1990	Percent Change
Unemployment Rate	6.4%	5.4%	-15.6
Total Employed	13,800	13,400	-2.9
Total Unemployed	940	760	-19.1
Labor Force	14,800	14,100	-4.7

Retirement Behavior and Social Security Issues

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Information in this report is based on "Early Retirement Decisions in Non-Metropolitan Communities" by Robert B. Enright Jr. and Lawrence A. Weiser in *Proceedings of the 9th Conference on the Small City and Regional Communities*, University of Wisconsin-Stevens Point, March 30, 1990.

Introduction

A substantial reduction in the labor force participation of older and middle-aged men is one of the most significant demographic trends affecting the U.S. economy. A generation ago, only half of elderly men, that is men 65 and older, could be classified as retired, currently however, over 80 percent can claim that status. Retirement in the United States is often viewed as a period of well deserved leisure following many years of employment. In the last two decades many Americans have availed themselves of this "golden pond" life-style at ages well below the "normal" retirement age. Approximately one third of men between the ages of 55 and 64 are not in the labor force at all, and many more are no longer involved in the occupation which served as their principle career activity.

This report will describe the phenomenon of early retirement in the U.S., in Wisconsin, and in our local area. Some of the reasons being advanced to explain the increase in early retirement will be analyzed, and the implications of changes in retirement behavior will be explored. The important relationship between retirement decisions and the social security system will be discussed.

Retirement Trends

Figure 1 shows the dramatic decrease in the labor force participation rate for men in the 55-64 age range. As recently as 1960, close to 90 percent of men in this age group were working or actively seeking jobs. In 1989 only 67 percent were in the labor force leaving one-third to be classified as retired. Although this trend appears to be bottoming out, there is some evidence that it could resume its downward path and even spread into younger age groups. Figure 1 clearly indicates that the retirement behavior of Wisconsin men roughly parallels the national pattern with a lag of approximately five years. The response to the early retirement "window" for Wisconsin public employees is a good example of this phenomenon. Retirement applications from state employees in 1990 are running 65 percent above previous years.

Trends in women's retirement patterns are more difficult to identify since their labor force participation rates have been rising for all age groups. Married women who work

outside the home have traditionally retired at the same time as their husbands, and since they are two years younger than their husbands on average, it would be reasonable to expect a trend toward early retirement for women. However, some early retirement decisions by men may be influenced by the fact that their wives will continue to work and receive health insurance benefits for the family.

Note that the percent of men who are no longer in the labor force is somewhat lower in Central Wisconsin than in the State as a whole. Partly this can be explained by the fact that manufacturing and agriculture are highly important economic activities in our communities as compared to tourism and recreation which dominate the economies of Northern Wisconsin.

Reasons for Increased Early Retirement

Social scientists have not been able to devise one simple explanation for the trend toward earlier retirement. Instead, they suggest several factors which seem to play important roles in determining retirement age. These reasons can be divided into push and pull factors. Are American men pushed out of the labor force by layoffs, plant closures, forced retirements, a lack of employment opportunities, obsolete skills, age discrimination, and poor health; or are they pulled into early retirement by the attraction of additional years of leisure and by financial incentives such as social security, the availability of disability payments, private pensions, and the income from spouse's jobs? Obviously, there are individuals who have decided to retire for each of these reasons, but which causes are most responsible for the social trends that have been observed? Researchers have been unable to successfully isolate the influences of each of these variables.

To illustrate the complexity of this process, consider the effect of income on retirement decisions. It is a widely held view that Americans retire as soon as they are financially able to do so. The public perception of the early retiree is a physically fit professional who possesses the financial means to leave the work force and purchase well deserved leisure. His high income enables him this freedom, which was denied to all but the elite in earlier times. Consistent with this view, economists have shown that in the United States, real per capita disposable income has increased by more than 90 percent since 1955. This "income effect" hypothesis proposes that higher incomes have led to the increase in early retirement by making it more affordable than in the past. Contrary to this hypothesis, studies have shown that men in low paying jobs, not high paying jobs, are most likely to retire early and Wisconsin county data confirms this. Low paying jobs are more likely to be physically demanding, leaving workers vulnerable to disability and health benefits and employment income hazards. Moreover, the difference between disability are smaller for men in low paying jobs, and this provides poorly paid men an additional incentive to opt for early retirement. Alternatively, high income individuals are aware that they are giving up a great deal by choosing to retire. In pure dollars and cents, they are sacrificing more than the average worker, and therefore may delay retiring. The latter is called the "substitution effect." As the preceding analysis has demonstrated, the effect of income on retirement decisions is far from clear cut.

Poor health is the most controversial explanation offered for the increase in early retirement. When early retirees were surveyed concerning the reasons they stopped working before age 65, roughly two-thirds cited poor health as the major cause, and Wisconsin county data supports this relationship. Paradoxically, during the last several decades when early retirement has been increasing, health as measured by declines in mortality rates has improved markedly. Possibly modern medicine is successful at postponing death, but leaves many survivors too frail to work. One recent study based on data from the National Center for Health Statistics concludes that most of the increase in life expectancy between 1970 and 1980 was in years with a disability which limits primary activity. Of course "poor health" may not be an objective reason for retirement as much as it is a rationalization for forced retirement. Moreover, the increased availability and acceptability of disability benefit programs may have contributed to this trend. An interesting footnote to the debate on the relationship of health status and retirement is the reduced physical requirements of jobs in our economy. As the proportion of the labor force that is involved in agriculture and manufacturing has declined, jobs have become less physically demanding, and this process would be expected to extend the age of labor force participation.

Table 2 cross-classifies all 72 Wisconsin counties by economic and demographic characteristics. The non-metropolitan counties have much higher early retirement rates than the metropolitan counties. This is explained by the very high early retirement rates in Wisconsin's twenty recreational counties which are primarily due to net migration into these counties by retirees who have lived in other parts of Wisconsin and adjoining states. Also, the groups of non-metropolitan counties which are characterized by manufacturing and agricultural activity have early retirement rates which are significantly higher than those of metropolitan counties.

Means of early retirement rates in Wisconsin counties by classification of counties. Categories are not mutually exclusive. Number of counties in each category is in parentheses.

Walworth County is classified as both recreational and university. The following five counties are classified as both recreational and manufacturing: Door, Forest, Marinette, Menominee, and Oconto.

Social Security and Retirement Decisions

Why should we be concerned about the trends in retirement that have been analyzed above? One obvious reason is to anticipate and understand the retirement plans of our employees, co-workers, and, from a personal perspective, our families and ourselves. Clearly, the "normal" retirement age has dropped below 65, and may continue to decline. From the standpoint of social policy, we must analyze whether our national retirement system will be able to cope financially with the changes that are taking place. Finally, will the U.S. be able to maintain the productive work force necessary to provide an improving standard of living for our population in the decades

ahead?

Social Security (OASDHI) is the foundation of our nation's retirement system, and it has proved to be one of the government's most successful programs. Currently, over 80 percent of the population is fully insured by social security, and 90 percent of middle-aged workers are covered. 11 percent of the U.S. population are receiving retirement benefits, and those benefits average well above the poverty threshold for the typical retired worker and spouse. Consequently, the poverty rate for older Americans is lower than for those under 65. Over 40 percent of the income of elderly Americans consists of social security benefits.

As the number and proportion of elderly Americans continues to increase, it will become more difficult to finance the large payments required under social security benefit schedules. In 1983 the regulations of the system were amended to maintain the financial integrity of the system. The age at which full retirement benefits may be paid will be increased gradually from 65 to 67. Taxes have already been raised several times to create large surpluses in the trust fund with the plan to draw those reserves down as benefits begin to exceed revenues.

A great deal of controversy surrounds the size and timing of these trust fund balances, but the rhetoric, pro and con, has masked the more fundamental economic issue. That question is whether a smaller, older labor force can produce enough goods and services to provide a rising standard of living for the American people of all ages. A recent study indicates that a continuation of the per capita real GNP growth rate at its historical average of 1.85 would require massive increases in capital investment and technical progress. This scenario does not appear possible. However, an acceptable per capita GNP growth of 1.5 percent is achievable with reasonable increases in capital investment. This is not a rosy prospect for many Americans who are struggling to provide a decent standard of living for their families, but it is far from a doomsday prediction. The arithmetic of our economic future indicates that with hard work, careful planning, and a little luck, retirees and their grandchildren will be able to maintain and enhance their standard of living.