

Economic Outlook – September, 2009

*For the September installment of our regional economic outlook, Terry Ludeman, Thrive's consulting economist, shares these observations about the past, present and future:*

One of the most useful of economic statistics describes the industrial makeup of a region. It looks at the distribution of jobs, not by occupation, but by industry. It reveals changes that are occurring and it can be extremely helpful in determining future occupational choices. We are not going to delve deeply into the statistic, but we are going to use the statistic to look at a few of the changes brought about by the most current recession.

As readers are likely aware, Wisconsin is a state with wide diversity of industries. What is somewhat of a surprise to many, however, is the fact that Wisconsin still has very strong representation in manufacturing jobs. Not compared to our past certainly, but compared to the rest of the United States. Wisconsin usually ranks in the top three states, usually second, occasionally third, in the percentage of the state's jobs found in manufacturing. When the recession started, 17.3 percent of Wisconsin's jobs were in manufacturing. That compares to about 11 percent for the nation. As of July 2009, manufacturing had dropped to 16 percent of Wisconsin's jobs. Almost 58,000 of the state's 114,000 lost jobs over the past year were in manufacturing.

So, how about the eight-county Madison Region? The Madison Region had about 11.0 percent of its jobs in manufacturing as the recession began. Nearly 56 percent of the Madison Region's job loss since the beginning of the recession was in the manufacturing sector, leaving the region with 52,200 manufacturing jobs currently - about 10 percent of the region's total jobs. The region's manufacturing sector has been very hard hit during this recession.

Almost without exception, recessions accelerate changes that were already occurring in the economy. In the case of manufacturing, there might be, even likely will be, some recovery from the lows that were reached in the depths of the recession, but it is very unlikely that recovery will see the same levels of employment in manufacturing that were present before the recession began. Many of those jobs have been displaced, gone to cheaper producers elsewhere, or displaced by more productive methods.

The most important information to glean from this is that new job growth, recovery job growth if you will, will not be in manufacturing industries. Economic and workforce development professionals, and workforce training institutions will be called upon to prepare the workforce for a different array of skills than they have in the past. Over the next ten years, transportation, financial activities, health care services, information and professional services are the industries that will likely see strong growth in the Madison region. Preparing for these changes is not a step back, but a step forward – to the future.