



An Overview of the Great Recession in the Chippewa Valley, Wisconsin and the US

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Abstract

Nearly all Americans have been impacted by the recent economic crisis which has been severe enough to now be called *The Great Recession*. The impacts of this recession include substantial job losses, rising unemployment and bankruptcies, a stagnant housing market and more. This project describes the overall impact of *The Great Recession* in the Chippewa Valley, Wisconsin and the United States. In particular, we examined what sectors lost the most jobs and if the unemployment effects of this recession impacted various age groups, genders and races differently. Lastly, we explored how this recession affected a variety of local economic indicators including home sales and prices, bankruptcies, building permits and new business incorporations.

Unemployment Analysis

We first examined changes in the unemployment rate for Chippewa (CHIP) and Eau Claire (EC) Counties as well as Wisconsin (WI) and the United States (US). In each case we used the average unemployment rate over the third quarters of 2008 and 2009 and then calculated the change in the UE rate between these two periods as a measure of the recession effect. Figures 1a - 4a show the change as described above. Then to put that data in an exact context Figures 1b - 4b show the average unemployment rate for the third quarter of 2008 alongside the average unemployment rate for the same region or demographic in 2009. Overall, the data shows that unemployment rates in 2009 were higher than those of 2008 for every area and demographic examined.

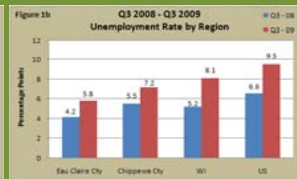
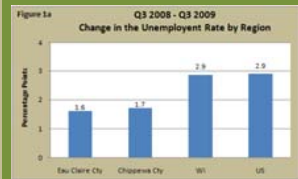
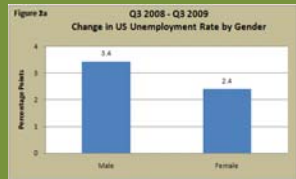


Figure 1a shows that the UE rate increased by 2.9 %pts in both WI and the US, while the rise in the UE rate was much smaller in EC and CHIP Counties (1.6, 1.7 %pts respectively).

Figure 1b shows that the 2009 UE rates in EC and CHIP Counties were much lower than in WI and the US. In fact, the US is the only area with an UE rate approaching 10%.

We next compared changes in the UE rate by gender, race and age. Data for these sub-populations is not available for the state or local areas, and thus our analysis is limited to only the US.



In terms of gender, Figure 2a shows a larger increase in UE for males than females (3.4 > 2.4).

Figure 2b shows the 2009 UE rate for males pushed above 10%, which is significantly higher than the rate of 8.3% for females.

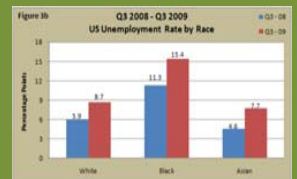
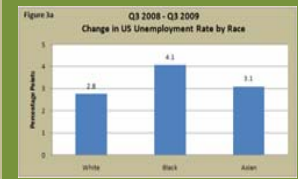


Figure 3a shows that among racial groups, the rise in the UE rate for blacks was very large (4.1 %pts) which far out-paced the increases among whites (2.8 %pts) and Asians (3.1 %pts).

Figure 3b shows that UE is always much higher among blacks compared to other racial groups. They were particularly hard hit by this recession with the black UE rate pushing above 15%.

Figure 4a shows that the 16-19 year age group experienced the largest rise in UE (6.5%pts). This was noticeably higher than the increase of 3.4 %pts for the next closest age group of 20-29.

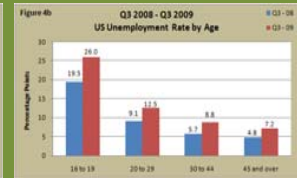
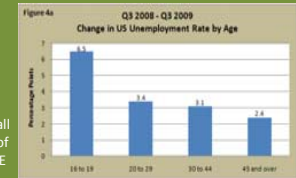
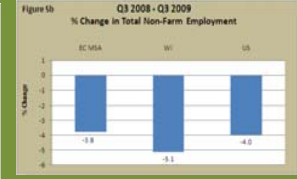
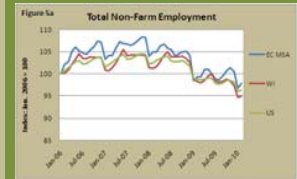


Figure 4b shows that teenagers have a much higher UE rate than all other age groups. Partly because of this higher initial level, the teen UE rate rose above 25% in 2009.

Employment Analysis

Next we examined changes in employment for the Eau Claire Metropolitan Statistical Area (EC MSA) as well as for the state of Wisconsin (WI) and the United States (US). Figure 5a shows the total non-farm employment (not seasonally adjusted) for all three areas from January 2006 through February 2010. Similarly, Figure 5b shows the percentage change in total non-farm employment due to the recession for all three areas. As with the UE rate, we measured the recession effect as the change in the average employment between Q3 2008 to Q3 2009. Lastly, Figures 6a and 6b measure the recession effect on the employment in various sectors of the economy including retail, manufacturing, construction, and health/education.

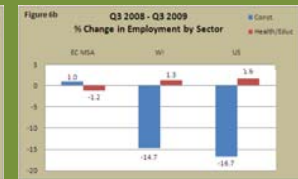
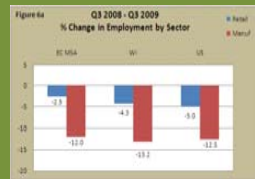


In Figure 5a total employment in the EC MSA, WI and the US were all indexed to equal 100 in the base period of January 2006. Looking beyond the seasonal pattern we see that the EC MSA experienced the largest rise in total employment during 2006 - 2007. The Great Recession is apparent in the substantial decline in employment for all three areas beginning in late 2008.

We next examined the effect of the recession on the employment in different sectors of the economy. Figure 6a shows that the impact of the recession was much greater on manufacturing than on retail in all three areas. In percentage terms, WI lost the most manufacturing jobs (13.2%), while the loss of retail jobs was the largest in the US (5.0%).



Figure 6b shows that the EC MSA saw a slight increase in construction employment of 1.0% and a slight decrease in health/education employment of 1.2%. In contrast, WI and the US both experienced a small rise in health/education employment and a decline in construction employment. The job loss in the construction sector for both WI (14.7%) and the US (16.7%) was even greater than that of manufacturing. Lastly, the evidence suggests that the healthcare sector was somewhat recession-proof.



Local Economic Indicators

Finally, we explored how this recession affected a variety of local economic indicators including home sales and prices, bankruptcies, building permits and new business incorporations. Figure 7 shows the impact of the recession on bankruptcies and commercial building permits in the EC MSA by comparing the 2008 Q3 average to the 2009 Q3 average. Figures 8, 9a and 9b present annual data on business incorporations, home sales, and the median home prices in the EC MSA from 2006-2009.

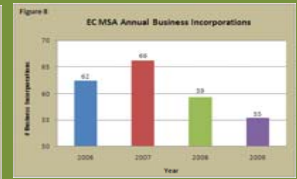
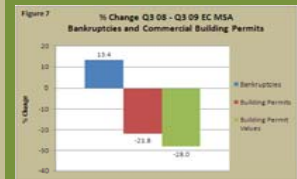


Figure 7 shows that the EC MSA experienced an increase in bankruptcy filings of 13.4% and a decrease in building permits and building permit values (21.8%, 28.0% respectively) from Q3 2008 - Q3 2009.

Figure 8 shows that annual new business incorporations in the EC MSA increased from 2006 to 2007 (62 to 66) but then decreased through 2009 (66 to 55).

Figure 9a shows that the number of homes sold annually in the EC MSA decreased from 150 in 2006 to 122 in 2008, but began to increase in 2009, back up to 130.



Figure 9b shows that the median price of homes sold in the EC MSA steadily declined from 2006 to 2009, falling from \$106,956 to \$95,843 (1996\$). Overall, it appears that the housing market declined before other sectors and then picked up after home prices sunk.



Data Sources

Wisconsin Department of Workforce Development
United States Bureau of Labor Statistics
The Bottom Line Newsletter
Wisconsin Multiple Listing Service



Conclusion

The impact of *The Great Recession* cannot be ignored. Substantial job losses, rising unemployment, and decreased economic activity are key recessionary signals all of which were apparent in multiple sectors of the economy from late 2008 through 2009. Unemployment rose significantly, with larger increases for males, blacks and especially teens. In terms of job loss, manufacturing was hit much harder than retail and in the US and WI, construction employment suffered even more. There was some evidence that the health care sector was perhaps recession-proof. One positive that could be taken from these results is that *The Great Recession* does not appear to have had as great an impact in the Chippewa Valley region as it did in WI and the US as a whole.