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 be called The Great Recession. The impacts of this recession include substantial job losses, rising unemployment and bankruptcies, a stagnant housing market, and lower consumer confidence. The 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 quarter 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 put that data in an exact context Figures 3b - 4b show the average unemployment rate for the third quarter of 2008 along with the average unemployment rate for the same region of Wisconsin in 2006. Overall, the data shows that unemployment rates in 2009 were higher than those of 2008 for every area and demographic examined.

In Figure 1a, we can see a slight increase in the unemployment rate for both the US and Wisconsin, while the increase in the UE rate was much smaller in EC and CHIP counties (1.6% - 1.7% pts respectively). Figure 2b 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%.

Figure 3b shows that among racial groups, the rise in the UE rate for blacks was very large (11.3% pts) which far outpaced the increases among whites (2.8% pts) and Asians (3.1% pts). Figure 4b 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%.

We next examined the effect of the recession on 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 (11.3%), while the loss of retail jobs was the largest in the US (5.0%).

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.

Unemployment Analysis

In Figure 5a total employment in the EC MSA, WI and the US all declined slightly (equal to 1%) 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.

Local Economic Indicators

Figure 5b examined this recessionary fall in employment in more detail. We had the highest drop in employment at 5.3% followed by the US at 4.0% and the EC MSA at 3.8%.

We next 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 retailing, manufacturing, construction, and health/education.

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