The Center for Rural Pennsylvania
A Legislative Agency of the Pennsylvania General Assembly

Rural Economic Snapshot: Second Quarter 2005 to Second Quarter 2006

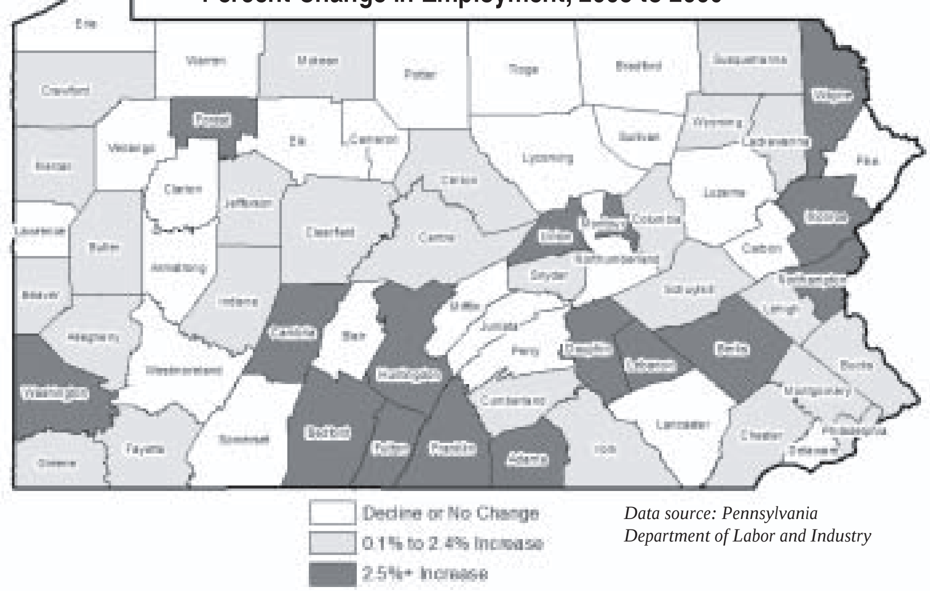
On the upside: employment and business establishments. On the downside: wages. That's the economic picture for rural Pennsylvania from 2005 to 2006, according to an analysis by the Center for Rural Pennsylvania. From the second quarter (April to June) of 2005 to the second quarter of 2006, employment and the number of business establishments increased, while wages failed to keep pace with inflation.

Employment

In 2006, rural employment was 1.26 million, an increase of 1 percent or 15,662 jobs from 2005. In urban areas, employment in 2006 was 4.29 million, an increase of 0.8 percent or 37,700 jobs from 2005. So employment basically changed at the same rate in rural and urban areas.

Within Pennsylvania, employment growth was not even. Twenty-four of the commonwealth's 67 counties had a decline in employment; all but four of these counties were rural. The counties with the largest decline in employment were Juniata, Bradford and Clarion, each with a decline of more than 3 percent. The counties with the largest increases in employment were Adams, Montour, Wayne and Forest, which each having an increase of 5 percent or higher.

Percent Change in Employment, 2005 to 2006



Data source: Pennsylvania Department of Labor and Industry

Nationally, between 2005 and 2006, there was a 2 percent increase in employment. Most of this growth occurred in the western states of Nevada, Utah and Arizona. The states with the least increase in employment were Louisiana, Michigan and Ohio.

Within rural Pennsylvania, the largest growth in employment between 2005 and 2006 was in the health care and social services sector and the transportation and warehousing sector. Each of these sectors had a 4 percent increase in employment. The retail sector and the real estate, rental and leasing sector each saw a decline in employment during this period. Statistically, the decline in retail employment had the most significant impact on rural employment during this period. Twenty-nine of Pennsylvania's 42 rural counties had a decline in retail employment; the largest was in Warren County with a 47 percent decline.

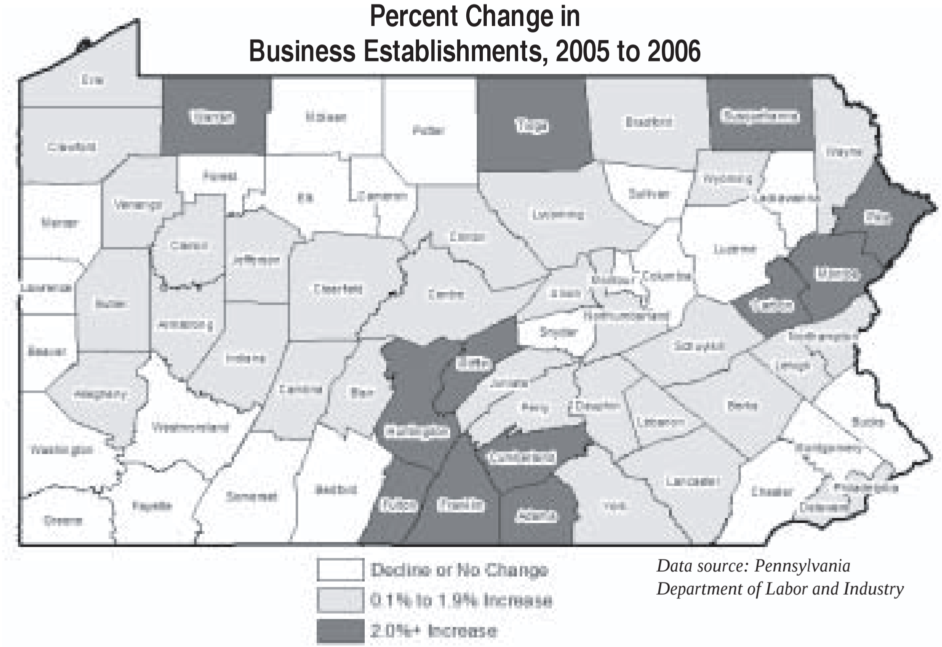
Business Establishments

In 2006, there were 83,328 rural business establishments, an increase of 1 percent or 717 new establishments from 2005. In urban areas, there were 233,869 business establishments in 2006, for an increase of 0.3 percent or 707 new establishments from 2005. Like employment, business establishments basically changed at the same rate in rural and urban areas.

Regionally, the largest increase in business establishments was in the 26-county region of central Pennsylvania. This region had a 1 percent increase or 926 new establishments from 2005 to 2006. Western Pennsylvania had a 0.5 percent growth rate, and eastern Pennsylvania remained essentially unchanged.

Nationally, there was a 2 percent increase in business establishments during this period. The states with the largest increases were Minnesota, Utah and Arizona. The states with the least growth were Massachusetts, Pennsylvania and Alabama.

Within rural Pennsylvania, the largest increases in business establishments were in the health care and social service sector. Between 2005 and 2006, the number of establishments in this sector increased nearly 20 percent.



Wages

From 2005 to 2006, the inflation rate increased 4 percent. After adjusting for inflation, the average rural weekly wage did not keep pace with inflation and declined 0.4 percent or $3. In 2006, the average weekly wage in rural Pennsylvania was $601. From 2005 to 2006, after adjusting for inflation, the average urban wage increased only slightly more than the inflation rate, rising 0.1 percent or $1. In urban areas, the average weekly wage was $806, or $205 above the rural average.

Regionally, wages were the highest in eastern Pennsylvania at $834 per week, followed by those in western Pennsylvania at $706 per week, and central Pennsylvania at $666 per week.

Nationally, in 2006, the average weekly wage was $784, or $18 above Pennsylvania's weekly average. The states with the highest weekly wage were Connecticut, Massachusetts and New York. The states with the lowest wages were Mississippi, Montana and South Dakota. From 2005 and 2006, the nationwide weekly average wage increased 0.4 percent, or $3 after adjusting for inflation.

Within rural Pennsylvania, wages decreased in 29 counties and increased in 19 counties. After adjusting for inflation, the counties with the largest declines were Indiana, Columbia and Tioga, each with a decline of 4 percent or more. The rural counties with the largest increases were Forest, Wyoming, Bedford and Montour, each with an increase of 3 percent or more.

Unemployment

In 2006, the rural unemployment rate was 4.9 percent. From 2005 to 2006, rural unemployment declined 0.3 percentage points. In urban areas, the unemployment rate was 4.6 percent, a decline of 0.2 percentage points from 2005.

Regionally, the lowest unemployment rate was 4.1 percent in central Pennsylvania, followed by 4.8 percent in eastern Pennsylvania and 5.0 percent in western Pennsylvania. Each of these regions had only marginal declines in the unemployment rates.

Nationally, in 2006, the unemployment rate was 4.6 percent. The states with the highest rates were Mississippi, Alaska and South Carolina. The states with the lowest unemployment rates were: Hawaii, Virginia, Florida, and South Dakota. In each these states, the 2006 unemployment rate was less than 3.2 percent. Nationally, from 2005 to 2006, the unemployment rate declined 0.4 percentage points.

Within rural Pennsylvania, the counties with the highest unemployment rates were Cameron, Fayette and Sullivan; in each of these counties, the rate was 6.5 percent or higher. The southern tier counties of Fulton, Adams and Franklin had the lowest rural unemployment rates of 3.5 percent or lower.

Discussion

From the second quarter of 2005 to the second quarter of 2006, Pennsylvania's rural economy showed some improvement. Employment increased 1 percent, as did the number of business establishments. Wages, however, did not keep pace with inflation and the unemployment rate showed only an incremental decline. Urban areas also witnessed only some economic improvements during this time.

Nationally, the same economic indicators showed more robust growth. However, most of this growth occurred in the southern and western states. Pennsylvania's economy, like most other northeastern states, preformed at or below the national rates. For rural Pennsylvania, the following trends are evident.

- **Positive economic growth**: While the improvements were small, rural Pennsylvania's economy has grown. This growth occurred during a period of higher energy costs, housing market declines, and increased international competition. The cumulative effect of this growth is most noticeable when looking back over the past five years. From 2002 to 2006, the rural economy gained more than 43,500 jobs and nearly 4,700 business establishments. The biggest downside is wages, which only increased about $4 on average per week after adjusting for inflation. Although slow, rural Pennsylvania's economy is showing some positive economic growth.
- **Lack of Relationship between Change in Businesses and Employment**: Statistically, there was no significant relationship between the change in rural business establishments and the change in rural employment. That is, as the number of business establishments increased, there was no corresponding increase in employment. The majority of rural counties had either an increase in

Economic Breakdown by County, 2005 – 2006

	BUSINESS ESTABLISHMENTS		EMPLOYMENT		AVERAGE WEEKLY WAGES		AVERAGE UNEMPLOYMENT	
	2006	% Change, 2005-2006	2006	% Change, 2005-2006	2006	% Change, 2005-2006	2006	2005
Pennsylvania	333,259	0.5%	5,644,970	1.0%	$766	0.0%	4.7%	4.9%
Adams	2,071	3.7%	34,942	4.7%	$593	-0.5%	3.3%	3.4%
Allegheny	34,975	1.1%	685,505	0.4%	$828	0.3%	4.7%	4.9%
Armstrong	1,480	0.6%	18,411	-1.8%	$593	0.7%	5.3%	5.6%
Beaver	3,656	0.0%	56,770	2.1%	$652	4.1%	5.1%	5.6%
Bedford	1,186	-0.3%	15,505	3.0%	$545	4.2%	5.4%	6.7%
Berks	9,011	1.5%	168,824	2.9%	$711	-0.6%	4.5%	4.8%
Blair	3,377	0.8%	59,734	-0.5%	$574	0.2%	4.6%	5.3%
Bradford	1,525	0.5%	22,179	-3.5%	$601	-2.7%	4.2%	4.9%
Bucks	19,851	-2.2%	266,285	0.9%	$773	0.0%	4.0%	4.0%
Butler	4,694	1.4%	77,534	1.8%	$663	1.3%	4.3%	4.5%
Cambria	3,776	1.7%	59,185	2.9%	$573	-0.2%	5.5%	6.1%
Cameron	170	-2.3%	2,642	-0.7%	$565	0.0%	7.4%	7.6%
Carbon	1,234	2.2%	16,621	-0.6%	$522	2.4%	5.9%	5.7%
Centre	3,347	0.4%	65,595	1.2%	$677	0.0%	3.5%	3.7%
Chester	14,785	-0.9%	236,534	1.9%	$1,030	0.8%	3.5%	3.6%
Clarion	1,151	1.9%	14,951	-3.2%	$565	-3.0%	4.8%	4.9%
Clearfield	2,188	0.5%	32,249	0.5%	$543	-2.6%	5.3%	5.6%
Clinton	860	0.9%	13,017	0.5%	$545	-3.5%	5.4%	5.9%
Columbia	1,609	-1.2%	25,666	2.2%	$575	-5.2%	5.8%	5.7%
Crawford	2,325	1.5%	31,795	2.2%	$559	-1.4%	5.2%	5.7%
Cumberland	5,891	2.6%	126,068	0.5%	$737	0.1%	3.5%	3.8%
Dauphin	7,180	1.3%	182,621	2.5%	$767	-0.2%	4.2%	4.2%
Delaware	13,486	0.3%	209,643	0.0%	$829	0.3%	4.6%	4.6%
Elk	1,014	-0.3%	15,877	-0.2%	$597	-1.0%	4.9%	5.2%
Erie	7,188	1.0%	129,150	-0.4%	$618	-1.6%	5.2%	5.3%
Fayette	2,971	-1.3%	41,177	1.0%	$532	-1.1%	6.6%	7.2%
Forest	166	-1.2%	2,399	17.4%	$609	3.8%	4.5%	8.7%
Franklin	3,281	3.7%	56,309	4.0%	$616	-1.6%	3.2%	3.4%
Fulton	346	3.3%	5,835	3.6%	$610	-3.4%	3.5%	3.6%
Greene	792	-2.0%	12,021	1.4%	$756	-0.6%	6.1%	6.0%
Huntingdon	967	2.1%	13,700	3.4%	$564	1.4%	4.9%	5.7%
Indiana	2,071	0.4%	32,821	1.6%	$628	-5.7%	5.3%	5.1%
Jefferson	1,215	1.6%	16,224	2.1%	$531	-1.4%	5.1%	5.0%
Juniata	519	1.6%	6,818	-5.5%	$528	0.9%	3.8%	4.0%
Lackawanna	5,688	-0.2%	100,782	0.8%	$608	-1.8%	5.1%	5.4%
Lancaster	11,954	1.6%	229,457	0.0%	$672	-2.7%	3.7%	3.6%
Lawrence	2,187	-0.6%	30,994	-1.3%	$583	-2.2%	5.1%	5.7%
Lebanon	2,687	1.6%	47,769	3.0%	$599	-0.2%	3.5%	3.5%
Lehigh	8,341	0.5%	177,123	0.7%	$770	-1.3%	4.7%	4.8%
Luzerne	7,865	-0.5%	143,513	-0.1%	$611	-3.1%	5.5%	5.7%
Lycoming	3,015	1.0%	51,660	-0.3%	$593	-1.2%	5.3%	5.4%
McKean	1,296	-0.4%	17,698	0.7%	$579	-1.1%	5.3%	5.3%
Mercer	3,100	0.0%	48,599	1.2%	$594	2.3%	5.2%	6.3%
Mifflin	1,070	2.6%	15,872	-1.1%	$554	-1.7%	5.4%	6.7%
Monroe	3,901	2.7%	57,017	4.3%	$639	0.2%	5.0%	5.4%
Montgomery	27,330	-1.5%	487,627	1.0%	$974	0.7%	3.7%	3.9%
Montour	407	-2.2%	13,674	4.7%	$834	9.7%	4.5%	4.4%
Northampton	6,289	1.4%	98,782	3.0%	$699	0.0%	4.6%	4.8%
Northumberland	2,081	0.2%	31,116	-0.6%	$577	-1.1%	5.5%	5.6%
Perry	905	0.9%	8,210	-0.4%	$490	0.0%	3.8%	4.1%
Philadelphia	29,135	1.6%	635,898	0.4%	$903	0.3%	6.4%	6.8%
Pike	1,102	5.9%	11,020	-1.9%	$529	3.4%	5.2%	5.2%
Potter	492	-3.7%	6,492	-0.2%	$625	-4.5%	5.4%	6.5%
Schuylkill	3,348	1.3%	50,348	0.7%	$594	-0.7%	5.7%	5.7%
Snyder	959	-2.6%	17,373	1.6%	$551	-1.3%	3.7%	4.4%
Somerset	1,939	-1.0%	26,518	-1.1%	$547	0.6%	5.4%	5.5%
Sullivan	206	-0.5%	1,665	-0.4%	$460	-1.5%	6.1%	6.4%
Susquehanna	980	3.7%	8,964	2.4%	$504	-4.2%	4.3%	4.7%
Tioga	1,040	2.2%	13,128	-1.4%	$540	-4.9%	4.7%	5.8%
Union	957	0.6%	17,218	3.8%	$632	-3.6%	5.0%	5.3%
Venango	1,402	0.1%	21,342	0.0%	$595	2.7%	5.5%	5.3%
Warren	1,122	2.1%	15,100	-0.3%	$610	0.6%	5.6%	5.1%
Washington	5,271	-0.5%	78,977	2.7%	$673	0.0%	5.1%	5.2%
Wayne	1,515	1.3%	15,635	5.4%	$552	-0.1%	4.0%	4.6%
Westmoreland	9,470	-0.6%	139,129	-0.6%	$649	3.7%	5.2%	5.2%
Wyoming	698	0.4%	9,353	0.1%	$690	3.8%	5.4%	4.4%
York	8,794	1.7%	174,222	1.2%	$707	0.9%	4.2%	4.2%

See Methods on Page 4 for data sources.

business establishments and a decline in employment, or vice versa. The lack of a relationship between these two indicators could suggest that most of the rural employment growth occurred in existing businesses. The relationship between the change in businesses and the change in the unemployment rate also was not statistically significant. Again, this could suggest that most new employment in rural Pennsylvania comes from existing businesses.

• **Economic Growth—Wage Stagnation**: From 2005 to 2006, employment and business establishments increased. Average weekly wages, however, did not. In the majority of rural counties, wages failed to keep pace with inflation, causing workers' purchasing power to decline.

Wage stagnation is largely a long-term rural phenomenon. From 2002 to 2006, rural wages increased $4, while urban wages increased $13, after adjusting for inflation. One of the ripple effects of rural wage stagnation is the widening income gap between rural and urban areas. From 2002 to 2006, the income gap between urban and rural areas increased 5 percent, and in 2006, the average rural worker earned $205 less per week than the average urban worker.

Within rural Pennsylvania, there was no significant correlation between the change in employment rates and the change in average weekly wages**.** This could suggest that rural employers are not being pressured to increase wages to attract employees. Similarly, there was no correlation between the change in business establishments and the change in wages, which might suggest that new employers are able to attract workers without offering higher wages.

• **Growth of Health Care and Social Services Sector**: From 2005 to 2006, rural employment in the health care and social services sector rapidly increased. This sector accounted for nearly 40 percent of rural job growth and 87 percent of new rural businesses. In addition, this growth was widespread. Similar increases occurred in urban areas. Wages in this sector are, on average, similar to the rural average. The increasing elderly population in rural areas and the need for such services may be fueling the growth of this sector.

Methods

To analyze rural economic conditions, the Center used labor force data and ES-202 data (quarterly Census of Employment and Wages) from the Pennsylvania Department of Labor and Industry's Center for Workforce Information and Analysis. The labor force data includes the number of persons who are employed and unemployed, and the ES-202 data includes the number of employers, the number of employees and the average weekly wages by county and by industry (or sector). The labor force data was not seasonally adjusted. The data were from the second quarters of 2002, 2005, and 2006.

For the national comparison, the Center used data from the U.S. Bureau of Labor Statistics. Except for employment, these data were also from the second quarters of 2005 and 2006. The employment data were from June 2005 and June 2006.

The average weekly wage data was adjusted for inflation using the Consumer Price Index. The second quarter price indexes were averaged and the base year was the second quarter of 2006.

A Pennsylvania county was considered rural if the number of persons per square mile was below the statewide average of 274 persons per square mile. All other counties were considered urban.

Data limitations

The ES-202 data is not comprehensive as it only includes those employers who are covered under Pennsylvania's Unemployment Compensation Law. These employers account for 95 percent of all Pennsylvania nonagricultural wages and salary employment. The following types of workers were excluded: federal government and interstate railroads; private household employees; unpaid family members; services performed by a spouse or a child under 18 years of age working for a parent; participants in work study programs; employees of religious organizations; proprietors; self-employed persons; and agricultural workers.

County of employment: The ES-202 data reports the county in which a worker is employed, not the worker's county of residence. For example, a worker who lives in a rural county but works in an urban county is counted as an urban worker. Although this data limitation tends to underestimate the contributions commuters have on the rural economy, the labor force and unemployment data include workers' counties of residence.

National data: The national data is not completely comparable to the county level data. For example, the national data only include June employment, not the average for the second quarter. To compensate for this limitation, the county level data is not directly compared to the statewide and national data.

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