A Rural Economic Reality Check

The economy has seen its share of highs and lows over the past few years. And as most rural Pennsylvanians know, the rural economy has been riding the ebb and flow of that economic wave.

To understand just how the rural economy has been faring, the Center for Rural Pennsylvania looked at data from various sources about labor force, jobs, and businesses over recent decades.

The variety of data sources used for the analysis is complex, but necessary for a complete picture. Some sources provide certain detailed data while others can show change over time. (See Data Sources on page 4.)

Labor Force

According to 2000 Census data, 59 percent of civilian rural Pennsylvanians age 16 and older were working or looking for work. This civilian labor force participation rate was 66 percent for males and 52 percent for females. Of the rural civilian labor force, 5.9 percent were unemployed. This is slightly higher than the 5.6 percent unemployment rate in urban counties. According to statistics from the Pennsylvania Department of Labor and Industry, rural Pennsylvania’s current near record low unemployment rates remain above the better urban rates. Nationally, labor force participation was at 63 percent (70 for males and 57 for females) and the unemployment rate was 5.8.

Establishments, Employees, Employment Size and Payroll

In 2001, the most recent figures available, County Business Patterns data show that rural Pennsylvania had more than 1 million employees working
in about 76,000 business establishments. Fifty-four percent of these establishments employed fewer than five workers. Just 49 of the total rural establishments employed 1,000 workers or more.

Employment size has not changed much since 1990 when 56 percent of business establishments employed fewer than five workers. Rural Pennsylvania is also quite similar to the nation in employment size. In the United States, 54 percent of establishments employ fewer than 5 workers while 32 percent employ 5 to 19, and 2 percent employ 100 or more.

About one in four rural employees (23 percent) works in manufacturing, followed by health care and social assistance and retail trade, each with 16 percent of the total. Accommodation and food services employ 9 percent but no other sector employs more than 5 percent of the total rural employees.

Retail trade is the largest sector in terms of the number of establishments, with 19 percent of the total. Other services account for 13 percent, while health care and social assistance and construction each employ 11 percent. Thus, while the average rural establishment employs about 14 workers, manufacturing has the highest number of employees per establishment (aside from auxiliaries) at 50, followed by educational services (44), management (40) and utilities (24).

The average rural employee was paid $25,325 in 2001, an increase of 39 percent since 1990 (2 percent adjusted for inflation). This rural pay is about $9,850 less than the average urban worker, whose wage increased by 53 percent to reach $35,173 (a 12 percent inflation adjusted increase). The gap between rural and urban average earnings has more than doubled since 1990 when the difference was about $4,900. The average rural wage went from being 79 percent of the urban average to being 72 percent. The average employee in the United States as a whole was paid $34,670, much higher than the rural Pennsylvania

Rural Pennsylvania Business Establishments by Number of Employees, 2001

Average Pay for Rural and Urban Employees, 1990-2001

Rural Establishments by SIC Division, 2001
The average and a bit lower than the urban.

The highest paying sector in rural Pennsylvania is management of companies and enterprises at an average of about $47,000 per employee annually. The lowest paying sector is accommodation and food services at about $10,000 per employee. This low figure could be due, in part, to seasonal and part-time work. Manufacturing, the top employer, pays about $32,550 annually per employee while professional, scientific and technical services pays slightly less. Rural payroll information is not available for all sectors due to data suppression for confidentiality reasons.

**Establishments and Employment Over Time**

*Industry Trends* reports more than 82,000 rural business establishments in 2001 and more than 1.2 million employees. About one-third of all establishments are in the services division while another 23 percent are in retail trade.

As with establishments, about one-third of employees work in services. The next largest employers are retail and manufacturing, each accounting for 20 percent of employment.

Both the number of employees and the number of business establishments have grown significantly since 1990; employees by 12 percent and establishments by 23 percent. But individual divisions experienced some interesting differences as seen in the chart above.

In raw numbers, the fastest growing division is services with more than 8,000 more establishments and more than 93,000 more employees in 2001 than in 1990. The next fastest grower is retail, which added 2,000 establishments and 41,000 employees. Mining was the only division that lost both establishments (226) and employees (about 8,000). While manufacturing gained nearly 800 establishments, it dropped in employment by more than 23,000 workers.

Overall, employment has grown in rural areas since 1990. There was a small dip in 1990 and a small decline since 2000, but the latter has not fallen below the 1999 figure.

One engine of the rural Pennsylvania economy, though not identified as a NAICS sector or SIC division, is tourism. The Pennsylvania Department of Community and Economic Development reports that tourism accounted for more than 126,300 rural jobs in 2001 and brought $5.2 million in domestic travel expenditures to the Commonwealth’s rural counties.

* Note: 2002 is reported here to show the most current information available, although it is not used earlier due to the different industry classification system.
Decennial Census data show that employment is moving from more traditional industries like mining, agriculture, and manufacturing to a newer economy of service and information. Nationwide, employment by industry is similar to that in rural Pennsylvania but slightly less traditional. Fifty percent of workers are employed in information, services, and public administration, while 23 percent work in agriculture, mining, construction, and manufacturing.

Data Sources
The variety of data sources in this analysis may seem complex, but there are valid reasons to use different sources to examine various aspects of business establishments and employment.

**County Business Patterns, U.S. Census Bureau**
The Census Bureau’s annual *County Business Patterns* provides information on employees, business establishments, employment size, and payroll by industry for each state and county. This is the only source from which to get payroll and employment size data. However, it is not ideal for looking at establishments and employment over time. Until 1998, the Census Bureau’s *County Business Patterns* collected data on businesses by Standard Industrial Classification (SIC), a now dated system of classification. Since that time, the North American Industry Classification System (NAICS), the current system, has been used. In addition, farming and public administration are not included in this database.

NAICS classifies businesses and employees into 20 groupings, called *sectors*, plus auxiliaries and an unclassified category as follows:


The SIC system was comprised of 10 groupings, called *divisions*, plus an unclassified category as follows:


**Industry Trends, Department of Labor and Industry and Pennsylvania State Data Center**
The Pennsylvania Department of Labor and Industry collects data on employment and establishments from businesses under their unemployment compensation program. This data is compiled for the second quarter of each year in the report, *Industry Trends*, published by the Pennsylvania State Data Center. Although this source presents only establishments and employment data, it provides the most consistent data over time since the SIC system was used through 2001. In addition, all divisions and parts of them are included. The limitation is that the Unemployment Compensation Law accounts for about 95 percent of all of Pennsylvania’s nonagricultural wage and salary employment. Number of employees, both full- and part-time, is counted at each establishment, so workers with multiple covered jobs will be counted more than once.

**Decennial Census**
Although the Decennial Census can show only employment, it includes every worker in the Commonwealth and older data (1980) are readily available.

*Note: Auxiliaries are establishments primarily engaged in providing support services. Characteristically, they service only locations of the same enterprise and generally do not produce any products nor provide services for the public, other business firms, or government.*