



Tioga County's Economic Analysis & Forecast: 2006

Tioga County Development Corporation

Special Edition Summer 2007

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The *Tioga County Development Corporation* presents, as a public service, ***Tioga County's Economic Analysis & Forecast 2006***. This Special Edition is the fifth in a series of Annual Reports on changes in the health and structure of Tioga County. This year's issue includes an update of changes in the economy from the second quarter of 2005 through the second quarter of 2006 (fiscal year 2006). The report is now part of the annual review of the Tioga County Enterprise Zone and will be included with the Measure of Attainment document.

The report is based on the performance of the County economy (by sector) in terms of jobs, wages, and establishments. The County is compared to the Commuting Region and the Commonwealth to put that performance in context. This year, it additionally tracks changes in total wages paid. Total payroll (also called the wage bill) is calculated by multiplying the number of workers by their average weekly wage. This is an important measure in that it indicates the impact that the sector has on the total economy. Only private sector activities are reported in the data; hence government employment is not considered in this analysis but it is reflected in total employment.

Economy Experiences a Mixed Year

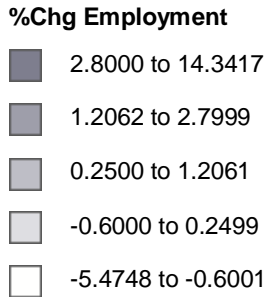
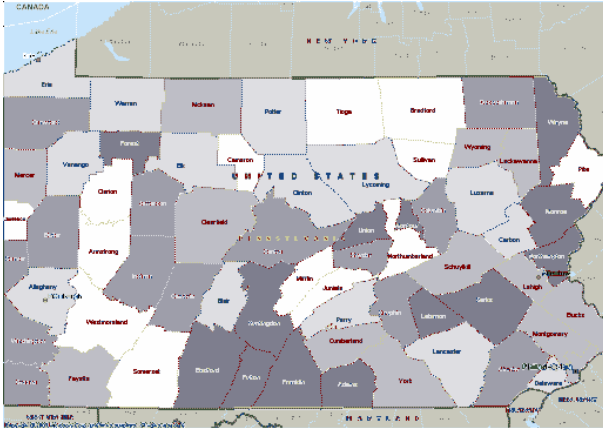
In fiscal 2006 the economy of Tioga County underwent some major changes...many of them negative. Average employment fell by 138 jobs; weekly wages paid per employee fell by \$8.00; and the total weekly wage bill declined by \$180,780. In positive economic news, the number of establishments operating in the County increased by sixteen.

Employment fell from 13,317 in Quarter 2 of 2005 to 13,179 in Quarter 2 of 2006, a loss of about 1.0%. Wages paid per worker declined, from \$546 to \$538 during the year, about -1.5%. The loss of employment and lower wages for those still employed led to a decline of 2.5% in total wages paid. Establishments increased from 1,018 to 1,034, approximately 1.6%.

NAICS SECTORS OF ECONOMIC ACTIVITY

11	Agriculture, Agricultural Support, Hunting & Fishing
21	Mining
22	Utilities
23	Construction
31	Manufacturing
42	Wholesale Trade
44	Retail Trade
48	Transportation and Warehousing
51	Information
52	Finance & Insurance
53	Real Estate and Rental & Leasing Services
54	Professional, Scientific, & Technical Services
55	Management of Companies & Enterprises
56	Administrative Services and Waste Management & Remediation
61	Education Services
62	Health Care & Social Services
71	Arts, Entertainment, & Recreation
72	Accommodations & Food Services
81	Other Services (Except Public Administration)
82	Public Administration
99	Unclassified Establishments

Employment Change by County: FY2006



State Fares Well During FY 2006

During the period from the second quarter of 2005 through the second quarter of 2006 the Commonwealth's economy grew rather strongly. Employment increased by just over 1.0% and total payroll increased by 5.1%. The number of establishments remained essentially constant.

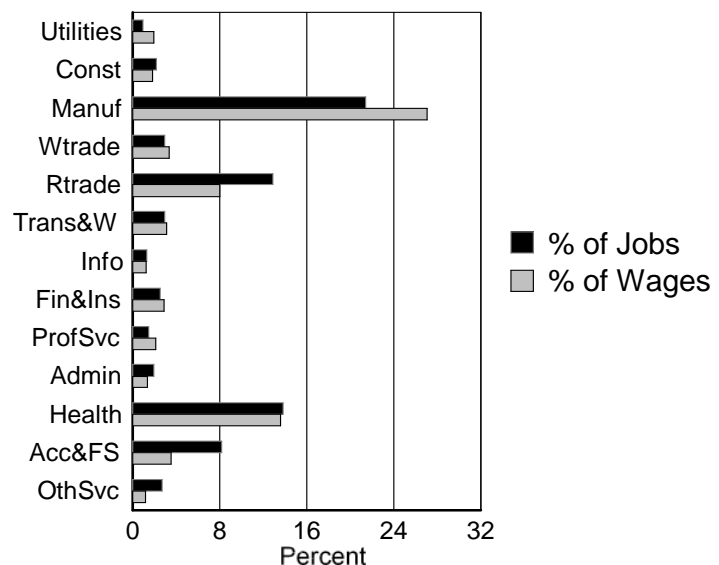
... but Region Falters

The other counties in the Pennsylvania portion of the Tioga Commuting Region all suffered employment losses during the fiscal year. Bradford County lost 835 workers, 3.6%; Potter lost 10 workers, less than 0.2% and Lycoming lost 224 workers, 0.4%. In New York, Chemung County gained 696 or 1.8% in employment while Steuben gained 244 or 0.7%. Overall, the Region (excluding Tioga) declined in employment by 149 jobs. In other words, Tioga outperformed Bradford County and the Regional total but did not fare as well as Chemung, Steuben, Potter or Lycoming.

Why Total Wage Matters

The Chart at the right shows the contribution that each major sector makes to the total payroll of the County. This is an important metric because it emphasizes the fact that not all jobs are created equal. When 10 new \$20 per hour jobs are created they contribute twice as much to the overall wage bill as 10 new jobs at \$10 per hour. Likewise, losing ten minimum wage jobs is less significant to the economy than losing ten high paying manufacturing or finance jobs. In 2006, Tioga lost only 1.0% of its employment but 2.5% of total payroll.

**Percent of Employment & Payroll
Tioga County: 2006**



Change by Sector of Economic Activity

As is usually the case, the employment and payroll changes in the County did not affect all sectors equally. The following describes the change for each major sector of the economy.

Declining Sectors

Manufacturing suffered the greatest numerical loss of jobs, with employment falling from 3,034 to 2,818 over the period. This was a loss of 216 workers or 7.1% of the 2005 total. The sector also lost four establishments (including WESTAN and Eagle Foods). The manufacturing workers who remained, however, saw a \$12 per week increase in their wages. Still, the sector lost over \$110,000 in weekly payroll. Statewide manufacturing lost 9,191 workers or about 1.3% of the 2005 total. The number of establishments was down by 2.6%, while wages per employee increased by 3.4%.

Administrative Services and Waste Management lost the second largest number of jobs. In Q2 of 2005 this sector had 321 employees; by Q2 of 2006 the number had been reduced to 254, a loss of 67 or 20.9%. Almost equally importantly, the jobs lost were, on average, high paying jobs while those retained were not. The average weekly wage in this sector fell from \$576 per week to just \$381, a decline of 33.9%. There were also five fewer establishments in the sector at the end of the period, a loss of 16.1%. Total payroll in the administrative services sector fell by 47.7%. Tioga County's experience was somewhat counter to the trend in the commonwealth. During the period the state gained very slightly in employment (about 0.1%) but saw per employee wages in the sector increase by 4.7%.

Accommodations and Food Service lost 32 employees over the period. This was 2.9% of total Q2 2005 employment. The number of establishments remained the same and wages per employee increased by 4.5%. Hence, total weekly payroll in the sector increased by 1.5% to \$251,174. Pennsylvania employment in *Accommodations and Food Service* increased by 1.4% and wages per employee by 2.8%, therefore the total wage bill increased by 4.2%.

Wholesale Trade employment declined by 29 workers, from 416 to 387, a loss of 7.0%. Wages paid to each employee rose from \$588 to \$610 during the year. This was a gain of 3.7%. Nonetheless, overall sector wages decreased by 3.5%. Again, the Commonwealth's performance was significantly better than the County's. The state gained 1.6% in employment and 4.7% in per employee wages. Overall, the state's total wages in the *Wholesale Trade* sector increased by 6.4%; well above the state average.

Other Services was the only other sector in Tioga County to lose employment between July of 2005 and June of 2006. This sector lost 6.1% of its employment (23 workers) and, more importantly, the number of establishments decreased from 106 to 73 (-31.1%). The loss of 15.8% in wages per employee suggests a serious weakness in the sector. Combined, the loss of employment and wages led to a decrease in the total wage bill of 21.0%. The Commonwealth also lost both employment and establishments during the period. Employment declined by 1.6% and establishments by 11.1%. However, wages per employee increased by 4.6% in the state which led to an increase of 2.9% in total wages paid.

Positive Results

All other reported sectors in Tioga County gained employment between July 2005 and June 2006.

Health and Social Services was the sector with the greatest gain with an increase of 134 employees or 7.9%. Most of the employment gains must have come in the lower paid occupations, however, as per employee wages fell \$44 per week, down to \$528 from \$572. This was a decline of 7.7%. The most startling statistic in the sector was the increase of over 50% in the number of establishments, from 140 to 211. The *Health and Social Services* sector gained 3.6% in employment and 16.9% in establishments in Pennsylvania over the year. (The increase in both the County and the Commonwealth was so great that it suggests that a change was made in the way “establishments” were counted). In Pennsylvania, wages increased by 3.5% and payroll by 7.2%.

Arts, Recreation, and Entertainment was the only other sector to gain more than fifty employees in Tioga County between Q2 2005 and Q2 2006. The increase of 51 jobs was a 58.6%. There was also an increase of fifty% in the number of establishments. Total wages paid grew by 10.6%. In the state the sector gained just 0.7% and establishments decreased by 1.4%. Statewide the wages paid to each employee in this sector increased more than in any other sector, 8.4%. The total wage bill increased by 9.2%.

Professional Services had only seven new employees in 2005 – 2006 (a 3.7% gain) but the increase in average wages made this sector a star. Employee wages increased by \$251 per week or 48.5%. The overall wage bill grew by 54.1%. *Professional Services* income in Pennsylvania grew at a more moderate pace. The state also saw a 3.7% growth in employment but wages grew by just 5.3%. Overall the sector’s contribution to the economy grew by 9.2%.

Steady Performers

All other sectors remained essentially constant in employment over the fiscal year with no sector gaining more than ten employees. However, there were substantial changes in the wages paid in several sectors.

Agriculture and Agricultural Services is a very small sector with just 97 employees in Q2 of 2006 (remember this does not include family farms or casual labor not covered by unemployment compensation). However, both wages and payroll are increasing rapidly in this sector with gains of 15.4% and 24.4% respectively. Both were far higher than the Commonwealth averages of 3.7% and 2.1%.

Utilities is another very small sector in Tioga County. It had just 123 employees in Q2 2006 but it saw an increase of 4.2% in employment and 5.5% in wages for an overall increase of 10.0% in payroll. This sector had very different performance in the state with a loss of 12.8% in employment and a decline of 1.4% in wages. In total payroll the utilities sector lost 14.1% of its impact on the state’s economy.

Retail Trade employment remained essentially constant with the addition of only one net job. However, the sector lost seven establishments (-4.2%) and workers received about \$16 more each week in their pay checks. Hence, overall payroll grew by just over five%. The sector performed much better in the County than in the state. The *Retail Trade* sector in Pennsylvania lost over 1.2% of its employment and saw only a 1.8% increase in per employee wages. The total wage bill grew by just 0.6%.

Sector Analysis Continued . . .

Construction in Tioga County held fairly steady between the 2nd quarter of 2005 and the same period in 2006. There were six new jobs (a gain of about 2.1%) and wages grew by \$7 per week. The sector's total payroll increased by 3.7%. Statewide *Construction* grew strongly. Employment was up 3.0% and wages by 4.7% leading to an increase of 7.8% in total payroll.

Transportation and Warehousing has been a steady performer in Tioga County for several years. This year the sector's employment remained steady (it lost one job) but wages per employee increased by \$45 per week (8.5%) which led to an overall payroll increase of 8.2%. Employment in the sector in Pennsylvania grew by 4.2% and wages by 2.8%. The overall change in payroll was 7.1%.

Information and Communications Services saw a minimal change in employment (two new jobs) but wages increased by 4.4% and total payroll by 5.7%. The sector did not fare as well in Pennsylvania. It lost more than 1.1% of its employment and per employee wages increased just 1.4%, therefore, the total wage bill grew by just 0.4%.

Finance and Insurance gained seven new jobs but each employee made \$36 less per week. The total wage bill declined by \$7,544 or 3.6%. Although employment statewide grew at a slower pace (just 0.8%), wages increased rapidly; the average employee gained \$52 per week for a total impact on payroll of 5.4%.

No other sector had more than 100 employees and several were not reported because of the small number of establishments. The sectors not analyzed in the report are: Mining; Real Estate; Management; and Education. (The latter sector does not include Mansfield University or the various school districts as employment in these is considered part of government employment).

Agriculture is a Separate Case

The ES-202 data used in most of this report contains only wage and salary employment for those persons covered by Unemployment Compensation. Self-employed persons (including family farmers) are not in the data base. The 2006 data shows just 97 farm workers in the County. This is a gross understatement of the value of farming to Tioga County. There were 973 farms in the County in 2002; 541 principal operators of these farms earned their primary income from agriculture. Total income received from farming was \$1.39 million in that year.

Agriculture provides \$48.6 million in sales or almost \$50,000 per farm. Livestock and livestock products accounted for almost 87% of the total. Tioga's farms produce over 1% of the state's farm output.

Tioga County Agricultural Statistics

Number of Farms

973 farms; 986 farms in 1997

Land in Farms

200,041 acres in 2002; 203,147 acres in 1997

Average Size of Farm

206 acres in 2002; 206 acres in 1997

Market Value of Production

\$48,610,000 in 2002; \$45,879,000 in 1997

Crop sales accounted for \$6,381,000 of 2002 total

Livestock sales accounted for \$42,229,000 of 2002 total

Market Value of Production, Average Per Farm

\$49,958 in 2002; \$46,531 in 1997

Source: 2002 Census of Agriculture conducted by the United States Department of Agriculture (USDA) National Agricultural Statistics Service (NASS)

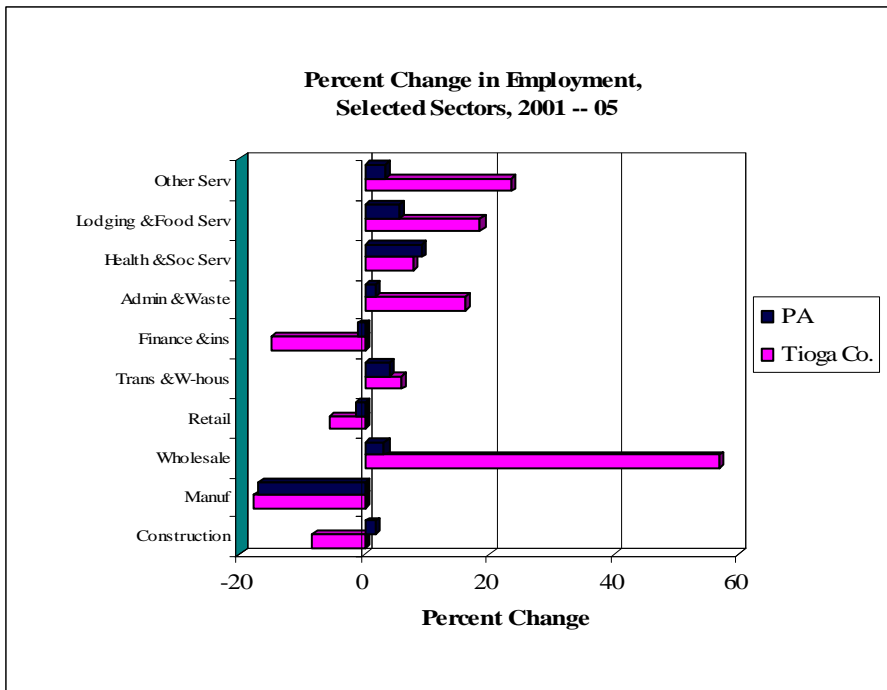
Summary and Forecast

Although the 2006 fiscal year was not a banner one for the Tioga County economy, there were several highlights. Positive notes included the rapid increase in wages in the **Professional Services** sector. This probably indicates that Tioga County is beginning to approach competitiveness with the state in professional salaries (although weekly wages are still only 63% of the state average). **Health and Social Services** continues to be a bright light in the Tioga economy with employment gains twice that of the state. The single greatest concern for the economy remains the **Manufacturing** sector. The loss of 216 jobs in this sector was greater than the total loss for the County for the year. Further, four manufacturing establishments ceased production, two of which were quite large.

Chances are good that the 2007 fiscal year performance will be superior to the overall performance in 2006. This is based on the relative strength of the remaining manufacturing industries in the County, and the fact that local growth is occurring in those sectors which are performing well nationally. These sectors include: **Health and Social Services; Professional Services; and Transportation and Warehousing.**

Recap of 2001 – 2005 Changes

Unfortunately, manufacturing employment losses caused the County to lose employment in 2005. The average employment in Tioga County during 2005 was 13,043, down 0.2% from 2001. The County's experience mirrors that of the Commonwealth. The State's overall employment level fluctuated between 2001 and 2005 but finished the period essentially where it started, with no percentage change. As was the case for the County, gains in other sectors were offset by losses in manufacturing.



Wages paid per employee were up in both Pennsylvania and the County. The average wage in Tioga County in 2001 was \$474 per week; by 2005 this had increased to \$535. The average employee in the County saw a 12.9% increase in weekly pay over the four-year period. The average County wage was just over 70% of the average Pennsylvania wage in both 2001 and 2005. During the 2001 through 2005 period the County added 78 establishments, up from 937 to 1,015; this was an increase of 8.3%. By contrast, the number of business establishments in Pennsylvania fell over the period by 0.3%.

UNEMPLOYMENT RATES: 2006 FINAL

Tioga County Labor Market Area
February 2007

Tioga County Development Corporation

Tioga County, Pennsylvania

Month	Year	Tioga County	PA	Difference	US	Difference
January	2006	3.8	4.5	-0.7	4.8	-1
February	2006	6.5	4.5	2	4.7	1.8
March	2006	5.3	4.5	0.8	4.7	0.6
April	2006	4.9	4.8	0.1	4.6	0.3
May	2006	4.8	4.7	0.1	4.6	0.2
June	2006	4.9	4.8	0.1	4.8	0.1
July	2006	5.1	4.9	0.2	4.7	0.4
August	2006	5	4.8	0.2	4.6	0.4
September	2006	4	4.2	-0.2	4.4	-0.4
October	2006	5	4.5	0.5	4.5	0.5
November	2006	5.7	4.7	1	4.6	1.1
December	2006	5.2	4.6	0.6	4.6	0.6
2006 AVERAGE		5.02	4.63	0.39	4.63	0.38

Annual Average

Year	Tioga	PA	Difference	US	Difference
2005	5.68	4.89	1.16	5.04	1.13
2004	5.74	5.32	1.08	5.45	1.05
2003	6.16	5.53	1.11	5.97	1.03
2002	6.63	5.54	1.20	5.7	1.14

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The *Tioga County Development Corporation* is pleased to present our 5th Annual Economic Analysis Summary of the Economy of Tioga County, Pennsylvania... ***Tioga County's Annual Economic Analysis & Forecast: 2006.*** An Annual Economic Analysis Summary for Tioga County, Pennsylvania.

Prepared under contract with *VanLandingham Consulting*, this Analysis presents an independent analysis of the economic conditions in Tioga County compared to the Region, the Commonwealth and the Nation. Wade VanLandingham has over thirty years of economic development planning and analysis experience and performs similar reports for several other counties in the State.

The *TCDC* Board of Directors, seeing the value of such an economic development instrument, has commissioned an Annual Analysis for use by our Corporation; State and Federal Legislators; County Commissioners; Private Lenders; School Districts and Business & Industry; and the General Public throughout Tioga County. This year and henceforth it will be included as part of our annual Measure of Attainment for the ***Tioga County Enterprise Zone.***

The *Tioga County Development Corporation* hopes this Analysis will assist you in developing strategies for your future growth. It is our pleasure to provide you with this economic development forecasting tool. *TCDC* is here to assist you in your growth and development in making ***Tioga County...a place to call home.***

Robert J. Blair
President/ Chief Executive Officer