

Tioga County Development Corporation

eNews Insider



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Special Edition

Tioga County's Economic Analysis & Forecast: 2010

Tioga County's Economic Analysis & Forecast 2010 is presented by the Tioga County Development Corporation. This Special Edition is the ninth 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 for the fourth quarter of 2009 through the same quarter of 2010. 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 (contiguous counties) and the Commonwealth, to put Tioga County's performance in context. Additionally it now 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. Previously, only private sector activities were reported in the data; now government employment is also considered in the analysis. A few sectors are not reported due to their small size in the County.

Marcellus Shale...Changing the Tioga Economy

Like most of Pennsylvania, Tioga County lost employment in the 2007 – 2009 period. But things changed dramatically in 2009 – 2010. Most of that change is attributable to the increase in natural gas mining in the Marcellus Shale.

Between the 2nd quarter of 2009 and the same period of 2010, Tioga added 508 jobs, a 4% increase. This was the 5th fastest growth among the 67 counties in the Commonwealth. By contrast, employment in Pennsylvania as a whole grew by less than 0.2%.

Although the driving force behind the employment increase was clearly the drilling for natural gas, most of the new jobs reported by this data were **not** in the mining sector. As has been pointed out by numerous pundits, most of the actual well-drillers are from out of state. However, it should be noted that some of these jobs are accruing to Tioga County residents and others in the commuting shed. The reported mining employment is now 176, up from a number so small that it hasn't even been shown separately in the recent past.

But any investment in a local area has impacts far beyond the direct employment associated with the investment. In Tioga County in 2009 – 2010 the job growth was spread throughout the economy.

***Tioga County
Is now the 5th
fastest growth
County in
Pennsylvania!***

Continued on Page 2...

Tioga County...a place to call home

Marcellus continued . . .

In particular, manufacturing, transportation and warehousing, real estate, professional services, administrative services, and accommodations and food service saw strong gains.

After more than a decade of decline, manufacturing employment grew by 200 jobs. This was a growth of almost 10%. Further, wages in the sector increased by 7.5%. Hence manufacturing payroll grew by almost 9%. Deeper investigation will, no doubt, show that much of this growth was directly related to the gas drilling. Transportation and warehousing employment gains were also strong. The sector added 25 employees, an increase of 7.4%. Total wage and payroll gains were even more impressive. Wages and payroll were up by 17%.

Clearly, the real estate market is highly impacted, both by direct mining activities and by a general increase in demand caused by new workers. Real estate employment grew by 35% from 37 to 50. Lawyers, surveyors and engineers are among the professionals whose services are in great demand. This sector added 29 employees, an increase of over 14%.

Employment in the administrative services and waste management sector had been in steep decline in Tioga County. It fell by more than 50% from 2001 through 2008. The sector added 103 employees, a change of over 80%. Many people have postulated that the out of state workers and companies would have the most impact on the relatively low paying jobs in the accommodations and food services sector. This, so far, does not seem to be the case. The sector added 53 jobs in 2009, an increase of less than 5% percent.

It is very tempting to associate all employment and payroll growth in the County during the past year to gas drilling. That probably is not the case. It is doubtful that most of the 35% increase in healthcare and social services can be directly linked to the natural gas industry.

The data used for this report is more than six months old. The trends reported here will have increased in magnitude during that time. Further, much of economic activity induced by the drilling of natural gas in northern Pennsylvania takes time to show up as changes in employment. As those changes work their way through the economy, look for the impacts to spread to other sectors and for wages to grow even faster than jobs.

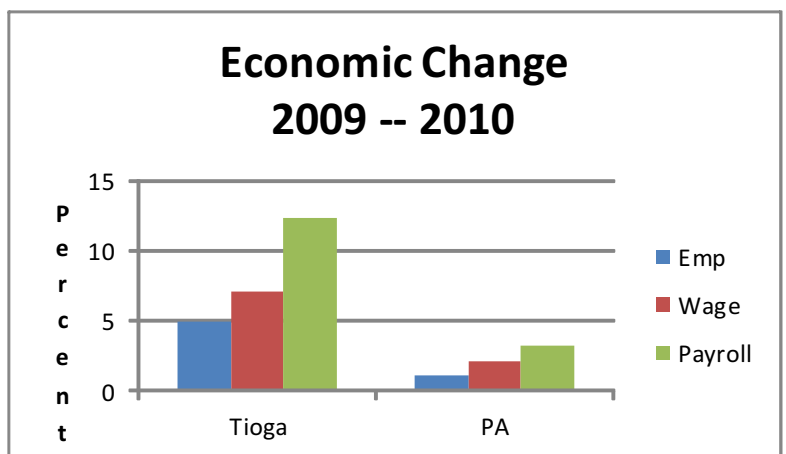
More Jobs ... 2010 Brings Welcome Change

The last several years have not been good to the Tioga economy. Led by declines in manufacturing, the County lost 6.5% of its employment between 2001 and 2009. **2010 has brought a welcome change.** Between the fourth quarter of 2009 and the same quarter of 2010, Tioga gained 611 jobs, a growth of 5.0%. In percentage terms it was the fifth fastest growing County in the state. Further, wages were up by 7.0 percent leading to a 12.3% increase in total payroll.

By contrast, Pennsylvania saw a 1.1% increase in employment, a 2.1% increase in wages and an overall growth of payroll of 3.3%.

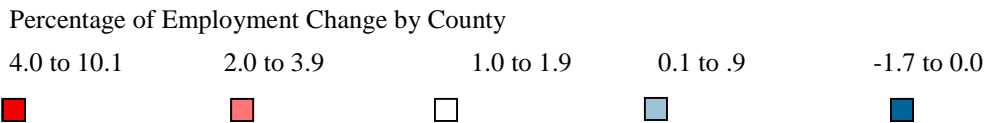
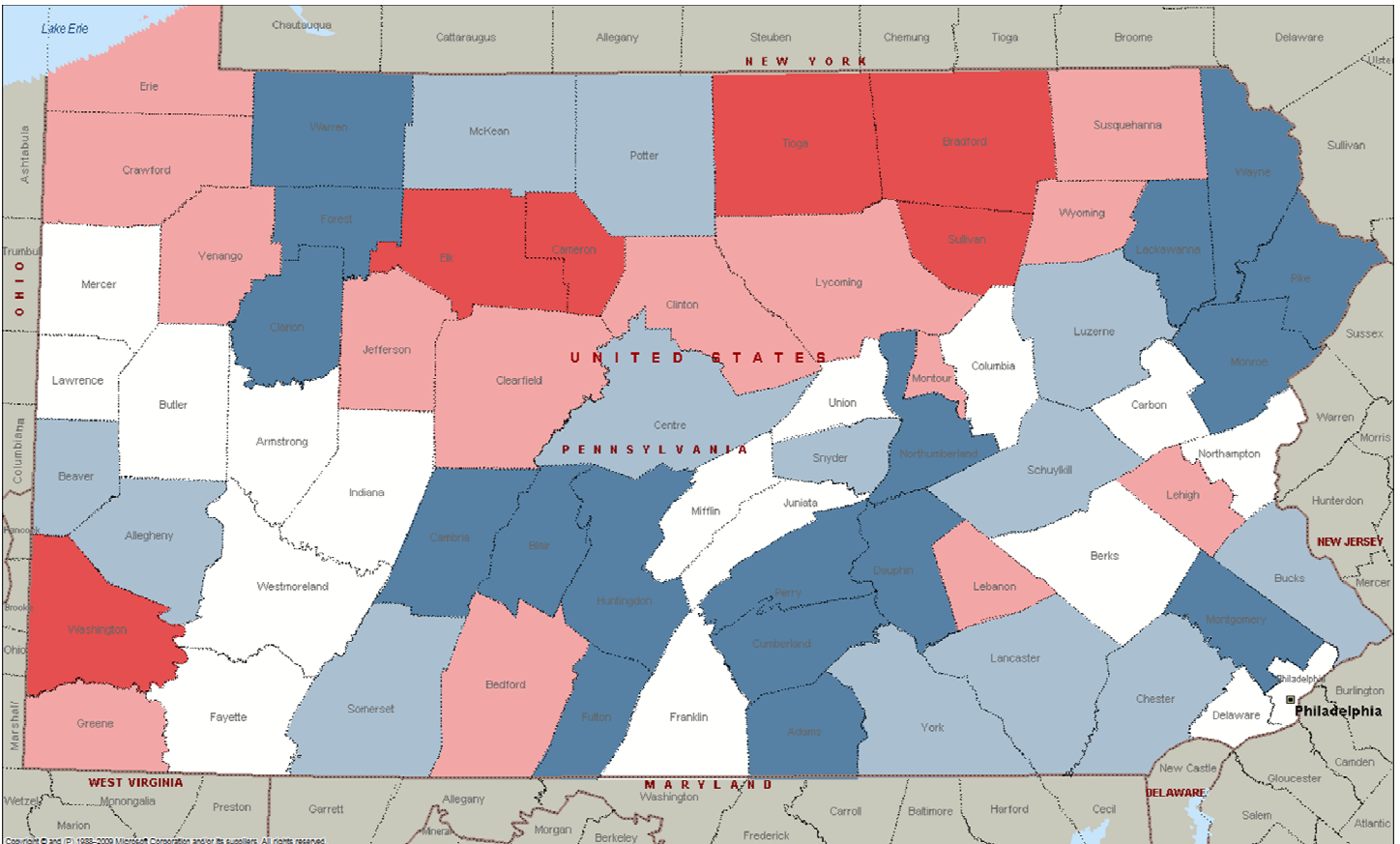
At the end of the 2009 calendar year, the County had 12,317 workers; this grew to 12,928 by quarter four of 2010. the average wage per employee at the beginning of the period was \$640 per week and increased to \$685. Establishments grew from 1,072 to 1,091, an increase of 1.8%.

As shown elsewhere, most of the increase in employment and wages was driven by the growth of the natural gas industry in the state. Bradford County was the fastest growing county in Pennsylvania during the period with an increase in employment of 10.1%. The other Northern Tier counties were also among the high growth areas. Sullivan added 4.0% to its employment base, Susquehanna 3.8%, and Wyoming 2.9%. Lycoming and Clinton also benefited by the gas play, adding 3.6% and 3.9% respectively. **This period is one of the few in recent history where the Northern Tier and contiguous counties outperformed not just the state but the usually fast growth area of southeastern Pennsylvania.**



Northern Tier Shows Strong Employment Gains...

Map 1: Employment Change by County 2009 – 2010



Manufacturing Turnaround Ends Employment Losses

Between the last quarter of 2009 and the same quarter of 2010, manufacturing gained 156 new jobs! This ends a decade long slide in employment for the sector. The new employment was a growth of 7.6% over the year. Further, it was accompanied by 3.4% increase in weekly wages which combined for an increase in payroll of more than 11%. Wages were up from \$791 per week to \$818. Data is not yet available to indicate which industry groups in Tioga County saw the greatest gain. However, according to the Bureau of Economic Analysis, Primary Metals, Machinery and Fabricated Metals are the most important manufactured inputs to natural gas well drilling. Each of these has a presence in Tioga County. **With 17.1% of total employment, manufacturing is once again the largest sector of private employment in Tioga County.**

Pennsylvania saw a very slight increase in manufacturing employment, gaining just 152 net jobs. Statewide wages were up 3.8% and payroll an equivalent amount. Manufacturing is now only 10.2 % of total state employment.

Census 2010: Tioga County Population Snapshot

The Census of Population and Housing Statistics for Pennsylvania were released in May, 2011. They show that Tioga County saw a fair amount of population growth over the 2000 to 2010 decade. The overall population of the County was 41,981 in April of 2010, up from 41,373 in 2000. This was a net increase of 608 residents or 1.5%. This may not seem a huge amount of growth, but from 1990 to 2000 the County added only 247 residents and from 1980 to 1990 it added just 153.

Median age in the County in 2010 was 42.4 years. Although this is considerably older than the state median of 40.1 years, Tioga was the “youngest” county in the Northern Tier Region and among the youngest in the northern part of the state. However, only 20.5% of the population was below the age of 18 (compared to 22% statewide) and 18.0% were over 65 (compared to 15.4% in Pennsylvania). This suggests that the County will have only slow growth from natural increase in the future and will need in-migration to experience any rapid population growth.

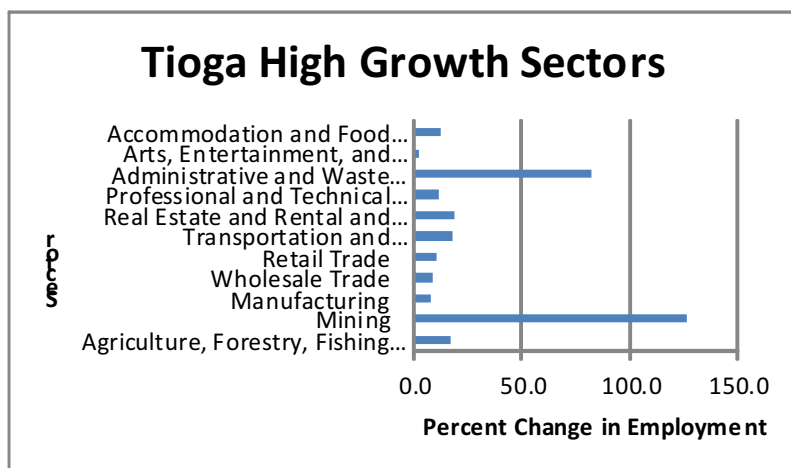
The Caucasian population is 97.3% of the total and Hispanics of any race make up just 1% of the population. Hence, ethnic diversity is still quite low in Tioga as it is in most of rural Pennsylvania. Mansfield University accounts for most of the non-institutionalized persons in group quarters (1,577) and prisoners and other institutionalized persons were just 374.

There were 16,727 households and 11,276 of those were family households (67.4%). This is a somewhat higher percentage than in the state but, again, that is typical for the rural areas of the Commonwealth. Most of the non-family households were composed of persons living alone (80%) and 46.5% of these were persons over 65 with females far outnumbering the males. As would be expected given the high percentage of seniors and low percentage of children, the average household size in the County is considerably smaller than the statewide average, 2.39% compared to 2.45%. There were 21,364 total housing units of which only 16,727 were occupied on Census Day. This is a low percentage but most of the vacant (3,478) were seasonal units.

Fast Growth Sectors

The increase in natural gas drilling has had spread effects throughout the Tioga County economy. Several sectors, most of them with direct or indirect ties to the extraction industries, have grown in employment in the past year. Of first, and most direct, interest is Mining employment itself. A few years ago mining was such a small sector in the economy that its employment was not even published in the State Department of Labor and Industry database. However, from 2009 to 2010 employment in this sector grew by 126.8%. This was an increase from 41 employees to 93 employees. Clearly this is not the total number of workers employed by the gas drillers. It is only the fraction of those drillers who reside in Tioga County and pay their taxes to the State of Pennsylvania. Wages paid to miners increased from \$1,518 per week to \$3,082 per week ... a 100% increase in one year. Needless to say, it is by far the highest wage industry in the County.

The second fastest growth has been in the Administrative Services and Waste Management sector. This sector has fluctuated significantly in employment over the decade, but the growth in 2010 is almost certainly in waste management workers linked to the mining effort. The sector grew from 120 employees to 219 employees over the year. The average wage in the sector actually went down by 16% but this indicates that a substantial number of lower wage persons are now employed, not that those who were previously in the sector had decreasing incomes. The average wage changed from \$725 per week to \$610 per week. Payroll still increased by almost 54%.



Continued on Page 5...

Fast Growth Sectors continued from page 4 . . .

Although no other sectors saw the explosive growth in 2010 associated with the extraction of gas like mining and waste management, the indirect and induced effects of the industry on Tioga County have been widespread. Gas drillers, leasing agents, company administrators, regulators and others in the County for variable periods of time increased the demand for lodging and food which, in turn, led to an increase of 12% in employment in the Accommodations and Food Service Sector. There were 134 new workers in the sector in 2010; wages remained about the same (up \$3 per week).

The Transportation and Warehousing sector also benefitted indirectly from the natural gas extraction. Hauling of all types was up. In 2009 this sector had 369 employees, by the end of 2010 there were 435. This was an increase of 27.9%. As is often the case when employment demand increases, wages also grew, in this case by \$70 per week to \$770, a 10% gain. Payroll grew by 27.9%.

One of the effects induced by the growth of earnings and employment in the County is an increase in retail sales. Even those employees of the mining operations who do not make their permanent home in Tioga County spend a part of their wages on locally purchased goods. Further, wages and salaries of many residents are increasing as well. This also leads to increased retail sales. The upshot, in 2010, was an employment gain in the Retail Trade sector of 170 workers, or 10% of the 2009 total. Wages increased by \$13 per week, a 3.3% growth.

Wholesale Trade grew by 29 workers, 8.7%. Wages in the sector were up by 6.7%. This growth was probably due to increased demand for parts, supplies, and other inputs not only in the Mining sector, but Manufacturing, and other growth sectors.

Engineers, surveyors, lawyers, and other Professional Services workers were in demand in 2010; so much so that the sector gained 24 employees, about 13%. Wages were up 6.1% and payroll 18.1%

Leases for drilling as well as increased demand for other properties caused a growth of 19% in the small Real Estate sector employment. Wages were up 37%.

Other Sectors...

Construction employment remained essentially constant over the year, adding just two workers to finish the period with 319 employees. Wages in the sector, however grew from \$659 per week to \$983 (49.2%), suggesting that upward pressure on wages, created by demand for workers in other sectors, was having a major impact as potential construction workers took jobs in Mining, Transportation and Warehousing, Manufacturing, and other growth sectors.

Finance and Insurance lost 5.8% of its 2009 employment, falling from 394 workers to 371. The general upward pressure on wages applied in this sector as well. The average weekly wage jumped from \$838 to \$901 per week, 7.5%.

The catchall Other Services sector lost nine employees, finishing the year with 339 employees. Wages increased by \$46 per week to \$326. This was a gain of 16.4%.

There are several other sectors of private economic activity which are not individually discussed here. These include Agriculture, Utilities, Information, Education, Management, and Art, Entertainment and Recreation. None of these are major employers in Tioga County. The largest has just 155 employees and most have fewer than 100. In fact, some (Management and Education) are not reported separately in the ES-202 database used in this analysis. In total, they make up less than 4% of all employment in the County.

Tioga County Development Corporation
Tioga County, Pennsylvania

UNEMPLOYMENT RATES: 2010/FINAL

Tioga County Labor Market Area

March 2011

Month	Year	Tioga County	Pennsylvania	Difference	United States	Difference
January	2010	8.7	8.9	-0.2	9.7	-1
February	2010	8.4	9	-0.6	9.7	-1.3
March	2010	8.2	9	-0.8	9.9	-1.7
April	2010	8.4	9.1	-0.7	9.7	-1.3
May	2010	9.2	9.1	0.1	9.7	-0.5
June	2010	9.1	9.3	-0.2	9.5	-0.4
July	2010	9.1	9.2	-0.1	9.6	-0.5
August	2010	9.1	9.2	-0.1	9.6	-0.5
September	2010	8.4	8.8	-0.4	9.6	-1.2
October	2010	8.5	8.6	-0.1	9.8	-1.3
November	2010	8.1	8.2	-0.1	9	-0.9
December	2010	7.6	8.2	-0.6	8	-0.4
ANNUAL AVERAGE		8.55	8.92	-0.37	9.63	1.08

Source: Pennsylvania Department of Labor & Industry, Center for Workforce Information & Analysis

Health Care Sees Slight Loss of Employment

The second largest sector of employment in Tioga County (excluding government) is Health Care. It has been a strong performer throughout the decade. Between 2001 and 2009 it added 32% to its employment and wages increased by almost 31%. In 2001, the sector had 1,522 workers; this number increased to 2,011 by the second quarter of 2009. Wages grew from \$412 per week to \$538. Payroll grew by 72.5% over the period. However, this normally stable to growing sector lost 48 jobs between the 4th quarter of 2009 and the same quarter of 2010, -2.4%. Wages, however, were up by \$30 per week or 4.9%. Hence, overall payroll grew by 2.4%.

While the sector makes up 15.4% of total Tioga County employment, it is still slightly under-represented in the County compared to the state. In Pennsylvania 16.2% of total employment is in health care and social services. Relatively low wages in the County (and most rural areas) probably account for this. The average wage in the sector in Tioga is \$643 per week compared to \$901 statewide. Not only is the County average only 71% of the state average, it is just 94% of the Tioga average.

Government

Government employment at all levels (federal, state and local) is the largest sector of employment in the County. In 2010, it had 2,722 employees, down slightly from 2,763 in the previous year. The Government sector had 21.6% of total Tioga employment; the next largest sector, Manufacturing, had just 17.1%. The average wage for government employees was \$948 per week in 2010, up from \$898.

Pennsylvania had 740,837 Government sector employees in 2010 which was just 13.4% of total employment. Hence, the sector in the state was relatively much smaller in the state than in the County. Wages were essentially the same in the state and County. Pennsylvania Government sector wages were about \$950 per week. The sector lost 6,248 employees in 2010, about 0.8%.

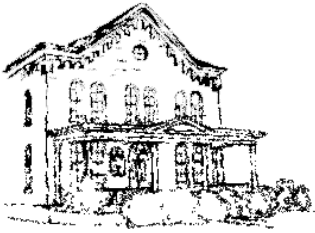
*Government
(federal, state, and
local) is the largest
sector of
employment in
Tioga County*

Summary & Forecast

When a major investment and rapid growth occur in one sector of the economy the impacts are felt through many other sectors. The direct job growth in the Mining sector caused by the Marcellus Shale natural gas extraction has indirect effects on those sectors which supply inputs or services to the Mining effort ... Manufacturing, Warehousing and Transportation, Administrative Services and Waste Management, etc. Further the new wages are an increase in earnings that induce other changes. Those wages are spent on Retail Sales, Accommodations and Food Service, Wholesale Trade and the like. Thus, the growth in employment in one sector translates to growth throughout the entire economy.

Tioga County has benefitted from these impacts dramatically in the past year. This change came at a propitious time for the County economy. Overall employment had been trending down since at least 2003, due largely to decreases in Manufacturing employment. The loss of factory jobs is a well known fact for the whole of the state and the nation but was of particular concern in Tioga and other counties which had an economic structure largely driven by Manufacturing.

The upward trend in employment and wages in the County will continue for at least as long as natural gas extraction continues to expand. Environmental concerns and changes in the tax and regulatory structure may slow that growth in the future, but are unlikely to completely curtail it. To the extent that Marcellus exploration and extraction continues, the future looks bright for Tioga County.



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114 Main Street
Wellsboro, Pennsylvania 16901
Voice: 570.723.8232
Fax: 570.723.8441
E-mail: tcdc1@ptd.net

www.tcdc-pa.com

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This marks the 10th year the *Tioga County Development Corporation* presents our Annual Economic Analysis Summary of the Economy of Tioga County, Pennsylvania... ***Tioga County's Annual Economic Analysis & Forecast: 2010*** 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 seven years of economic development planning and analysis experience. He performs similar reports for several other counties in the State. He has been under contract with *TCDC* since 1998 and possesses an extensive knowledge of our economy.

Our economy is undergoing extensive changes due to the Natural Gas development. As is evident in the Report, it is affecting all sectors of our economy. Job growth and wage levels are on the increase. We have always had a strong manufacturing base and this past year this sector experienced new job growth . . . much higher than the State level. With the County economic growth comes challenges in environmental control, transportation congestion and traffic patterns, housing, medical and social impacts and a change in the rural character of our County.

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

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