

Quarterly Economy Tracker

A partnership among Keystone College, King's College, Lackawanna College, Luzerne County Community College, Marywood University, Misericordia University, Penn State Wilkes-Barre, The Commonwealth Medical College, The University of Scranton & Wilkes University

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The Economic Tracker is a quarterly publication of The Institute for Public Policy & Economic Development which seeks to explore economic data, trends, and issues related to our region's economy.

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Small Business Data Highlights Their Contribution to Region

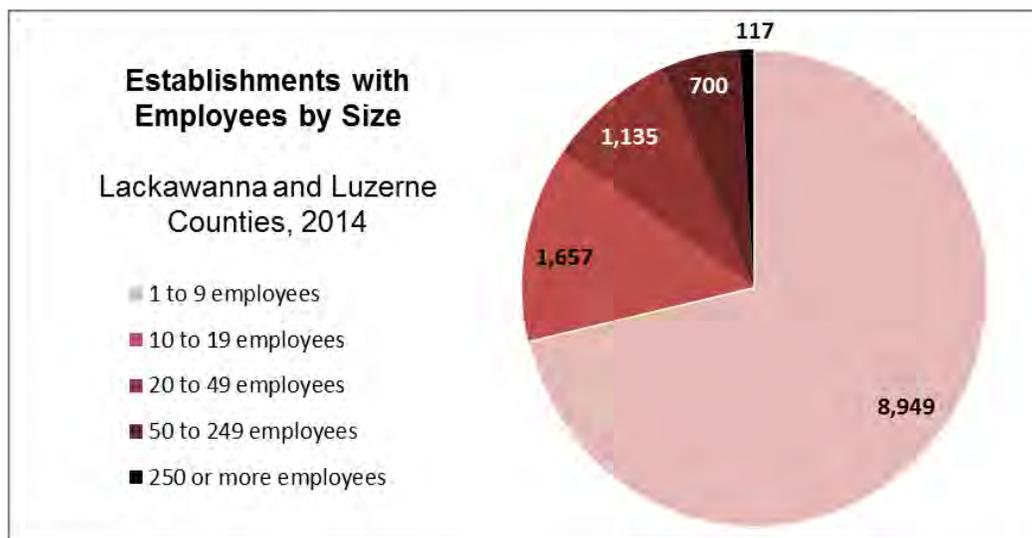
The economy of Luzerne and Lackawanna Counties is largely built upon and thrives off of the impact of small, local businesses. Businesses with fewer than ten employees make up over 70 percent of all business establishments in the two counties. Between 2013 and 2014, the percentage of all employers that employ fewer than ten employees has increased slightly in both counties. Though not all of these establishments represent independent or family-owned businesses, these types of small firms do make up a significant portion of the region's economy. Nonemployers, busi-

nesses without employees and payroll, make up another large component of the regional economy. In the two counties, there were over 28,000 nonemployer businesses in 2014, an increase from the prior year. Since 2008, the number of small businesses has seen some fluctuation in both counties, but the largest share of businesses remains those with few or no employees.

Nonemployer businesses are a particular area of strength in both counties. The number of nonemployers has grown in both counties since 2008; in Lacka-

wanna County, the growth has been particularly robust. The total number of small businesses with employees has trended down since 2008, as have the number of employer establishments overall. Nonemployers alone were responsible for generating nearly \$1.39 billion in receipts in the region. Statewide, the total revenue of nonemployers was over \$38.6 billion,

(Continued on next page)



Data Source: U.S. Census Bureau County Business Patterns

Small Business Data *(continued from Page 1)*

an amount on par with the largest Fortune 500 companies.

An Emerging Trend in Entrepreneurship

The growth of nonemployer businesses may be at least partially due to an ongoing economic shift towards the "gig economy." Research nationwide has shown that more and more workers are making a living by taking individual temporary jobs in a field, often on a freelance or contract basis. According to a 2016 Bureau of Labor Statistics publication on the gig economy, many of these workers meet the Census definition of a non-employer: a self-employed individual operating a very small, unincorporated business with no paid employees.

Industry Breakdown

Between all establishments and those with fewer than ten employees, the distribution across industry sectors is very similar. However, several sectors, including construction and professional and business services, have a slightly larger share of businesses with fewer than ten employees.

Impact of Small Business on the Region's Economy

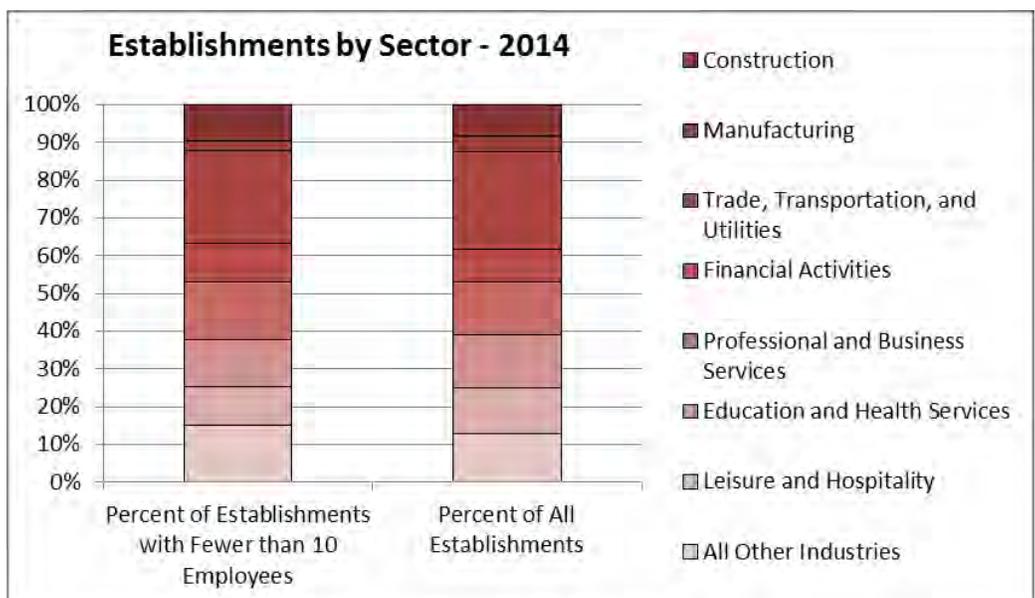
Because there are so many of these small businesses, the regional economy depends on them for diversity, resilience, and overall strength. Therefore, it is important to continue to make the region a good climate for small businesses. Across Pennsylvania, establishments with fewer than ten employees employed over 670,000 workers with a total payroll of more than \$26 billion. Though detailed data on small business employment and payroll at the local level is not available, it is likely that similar share of the region's employment and payroll consists of smaller firms. ♦

Data Sources: U.S. Census Bureau County Business Patterns, Nonemployer Statistics

Small Business Statistics - 2014			
	Lackawanna	Luzerne	Pennsylvania
Total Establishments with Employees	5,372	7,169	298,297
Percent with fewer than 5 employees	50.2%	50.6%	51.1%
Percent with fewer than 10 employees	71.7%	71.1%	71.1%
Total Nonemployers	11,916	16,573	799,663
Total Receipts by Nonemployers (Thousands \$)	\$577,256	\$811,556	\$38,648,928

Luzerne County Small Business Data			
Year	Employers with fewer than 10 employees	Nonemployer Businesses	Total Small Businesses
2008	5,357	16,520	21,877
2009	5,263	16,240	21,503
2010	5,214	16,249	21,463
2011	5,086	16,347	21,433
2012	5,124	16,395	21,519
2013	5,076	16,441	21,517
2014	5,099	16,573	21,672
% Change	-4.8%	0.3%	-0.9%

Lackawanna County Small Business Data			
Year	Employers with fewer than 10 employees	Nonemployer Businesses	Total Small Businesses
2008	3,934	11,202	15,136
2009	3,857	11,239	15,096
2010	3,811	11,361	15,172
2011	3,793	11,448	15,241
2012	3,803	11,628	15,431
2013	3,855	11,625	15,480
2014	3,850	11,916	15,766
% Change	-2.1%	6.4%	4.2%



Industry Forecasts Show Ongoing Workforce Needs

In order for Northeastern Pennsylvania's business and industry to remain competitive in the future, an adequate workforce must be in place to meet ever-changing needs.

As the baby boomer generation retires, firms are likely to see a large number of job openings. At the economy-wide scale, this is referred to as replacement demand. Replacement demand, shown at the table at right, measures the number of job openings in the next ten years that will open due to workers leaving the industry due to retirement. Forecast replacement demand across all industries over the next ten years is over 60,000.

The industries with the largest total replacement demand during this time are forecast to be retail trade and health care and social assistance - over 9,000 opening each. However, other industries are projected to see larger replacement demand relative to their employment size. These include accommodation and food service, agriculture, retail trade, and arts, entertainment, and recreation. Each of those industries is forecast to see openings equal to at least 30 percent of their current workforce in the next ten years due to replacement demand.

It is also important to remember that these forecasts only include openings due to workers leaving the workforce — it

Replacement Demand Forecast by Industry: Lackawanna & Luzerne Counties			
Industry	Current Employment	10-Year Forecast Replacement Demand	Replacement Demand as % of Current Employment
Agriculture, Forestry, Fishing, and Hunting	583	191	33%
Mining, Quarrying, Oil and Gas Extraction	542	126	23%
Utilities	2,735	652	24%
Construction	10,150	2,041	20%
Manufacturing	24,877	5,322	21%
Wholesale Trade	9,876	2,121	21%
Retail Trade	30,955	9,446	31%
Transportation and Warehousing	19,656	4,967	25%
Information	4,683	1,054	23%
Finance and Insurance	10,327	2,387	23%
Real Estate Rental and Leasing	2,347	511	22%
Professional, Scientific, and Technical Services	8,879	1,863	21%
Management of Companies and Enterprises	2,906	604	21%
Administrative and Support and Waste Management and Remediation Services	17,172	3,890	23%
Educational Services	19,247	3,977	21%
Health Care and Social Assistance	44,766	9,131	20%
Arts, Entertainment, and Recreation	3,203	967	30%
Accommodation and Food Services	20,241	6,961	34%
Other Services (except Public Administration)	9,088	2,230	25%
Public Administration	8,955	2,106	24%

Data Source: JobsEQ

does not account for additional workforce demand due to industry growth. In some cases, that growth is negative and counteracts some of replacement demand — this is true in the manufacturing industry. In other cases, positive growth demand adds to the need for a workforce, as in the health care and social assistance industry.

Nonetheless, the need for a well trained workforce across all industries is apparent. There is always opportunity to expand partnerships between business and educational institutions in order to better ensure that workforce needs are met. ♦

"Several industries are forecast to see openings equal to at least 30 percent of their current workforce in the next ten years due to replacement demand."

Thousands of NEPA Residents Commute Long Distances to Work

The distance that workers choose to live from their jobs depends on a variety of factors. The cost of housing as it relates to wages is a significant factor, as longer commute times from large cities tends to correspond with lower housing costs. Taxes, schools, recreation, arts and culture, natural resources, quality of life, and the desire for small town or rural living also can play into this decision.

Though Northeastern Pennsylvania is far from a bedroom community — more than 70 percent of workers living in the two counties work within the region - a significant share work relatively far from home, whether that is elsewhere in Northeastern Pennsylvania or outside of the region.

From 2009 to 2013, residents of Lackawanna and Luzerne Counties have been commuting longer distances to their jobs. In 2014, the trend appeared to reverse, but over 40 percent of workers living in the two counties commute more than 25 miles. Nearly one in five commutes more than 50 miles to work.

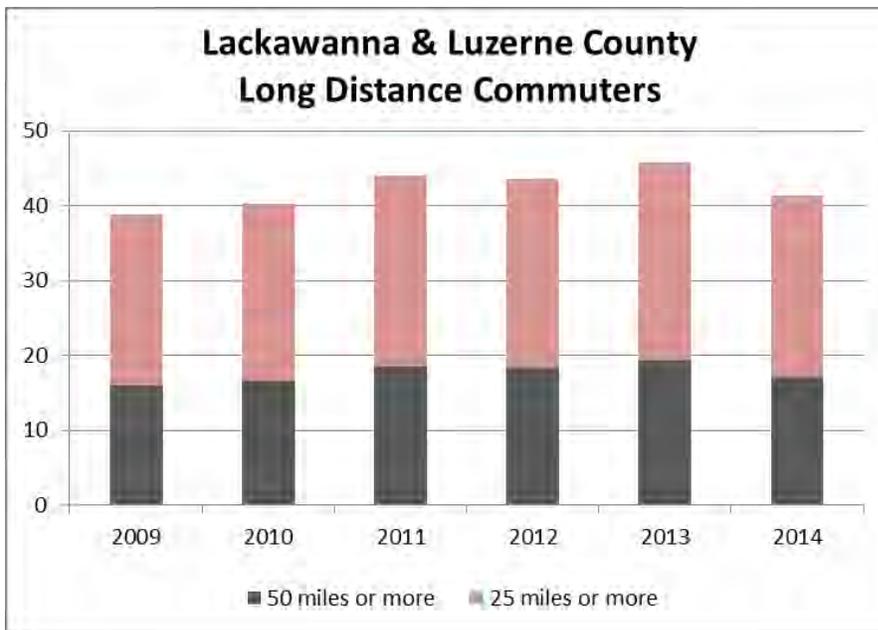
According to data from the U.S. Census Bureau's American Community Survey, more than 80 percent of workers in both counties drive to work alone. Another 10 percent in Luzerne County and 12 percent in Lackawanna County get to work by carpool. Only about one percent of workers in the region commute by public transportation.

"Though Northeastern Pennsylvania is far from a bedroom community - more than 70 percent of workers living in the two counties work within the region - a significant share work relatively far from home."

The destination of these workers varies. Over three percent of the region's workers, a total of 7,300, work in the five county Philadelphia region, and another 2.4 percent work in the Lehigh

Valley. Harrisburg and Reading also rank higher as a work destination than New York City, the place of work for less than 1,000 residents of the two counties.

Lackawanna and Luzerne Counties: Residents Commuting Distance to Work			
	Less than 10	10 to 50 miles	50+ miles
2014	57.2	32.9	17.1
2013	55.5	32.4	19.3
2012	56.8	31.9	18.3
2011	56.8	31.7	18.5
2010	58.6	31.8	16.6
2009	60.9	29.9	16



Supercommuters: Lackawanna and Luzerne County Residents Working Outside Northeastern Pennsylvania (2014)		
	# of Workers	% of All Workers
Philadelphia & Surrounding Area	7,300	3.3%
Lehigh Valley	5,236	2.4%
Harrisburg & Surrounding Area	2,646	1.2%
Reading Area (Berks County)	1,905	0.9%
New York City (5 Boroughs)	less than 1,000	approx. 0.3%

Data Source: OnTheMap Local Employer-Household Dynamics

Commuting Distance (Continued)

Within the region, the area with the greatest percentage of resident workers who travel at least 50 miles each way to work was Lake-Lehman School District. The other school districts with the highest percentage of residents who commute 50+ miles were all in Lackawanna County. Riverside and Scranton school districts also saw the greatest growth in the percentage of 50+ mile commuters. ♦

School Districts with Highest Percentage of 50+ Mile Commuters, 2009	
	Lake-Lehman (21.3%)
	Scranton (19.4%)
	Riverside (19.0%)
	North Pocono (18.8%)
	Old Forge (18.3%)
School Districts with Greatest Growth of 50+ Mile Commuters, 2009 - 2014	
	Riverside (+3.0%)
	Scranton (+2.8%)
	Wyoming Valley West (+2.6%)
	Pittston Area (+2.4%)
	Old Forge (+2.3%)

Data Source: OnTheMap Local Employer-Household Dynamics

Second Quarter 2016 Cost of Living Data Released

The Institute participates in an ongoing nationwide study on cost of living. The Cost of Living Index is published quarterly by C2ER – The Council for Community and Economic Research. The Cost of Living Index measures regional differences in the cost of consumer goods and services, excluding taxes and non-consumer expenditures, for professional and managerial households in the top income quintile. The index includes housing, utilities, grocery items, transportation, health care, and miscellaneous goods and services.

The national average in the index is pegged at 100. Metro areas around the country range from 82.7 in Tupelo, Mississippi (just under 83 percent of the national average cost of living) to 226.0 in Manhattan, New York (226 percent of the national average cost of living). The most expensive and least expensive urban areas are listed below.

In the second quarter of 2016, Scranton's index score was 101.7, while Wilkes-Barre came in at 103.9. This suggests that the two counties' cost of living for this particular standard of

living comes in very close to national average of all 260 participating urban areas. Within the region, the cost of utilities and transportation were relatively high compared to the national average, while the relative cost of health care was low. Grocery items, housing, and miscellaneous goods and services were all within two to three percent of the national average in both Scranton and Wilkes-Barre. ♦

Q2 2016 Cost of Living Index (COLI)					
National Average for 260 Urban Areas = 100					
Most Expensive			Least Expensive		
Ranking		Index	Ranking		Index
1	New York (Manhattan) NY	226.0	1	McAllen TX	75.9
2	Sunnyvale CA	224.2	2	Richmond IN	78.7
3	Honolulu HI	191.1	3	Kalamazoo MI	79.7
4	San Francisco CA	174.7	4	Harlingen TX	80.6
5	New York (Brooklyn) NY	172.8	5	Hattiesburg MS	81.1
6	Orange County CA	149.2	6	Ashland OH	82.0
7	Washington DC	148.4	7	Martinsville-Henry County VA	82.0
8	Oakland CA	147.2	8	Memphis TN	82.2
9	Boston MA	146.0	9	Sherman-Denison TX	82.6
10	Stamford CT	145.7	10	Tupelo MS	82.7
Scranton Cost of Living Index:				101.7	
Wilkes-Barre Cost of Living Index:				103.9	

Data Source: Cost of Living Index - Center for Regional Economic Competitiveness

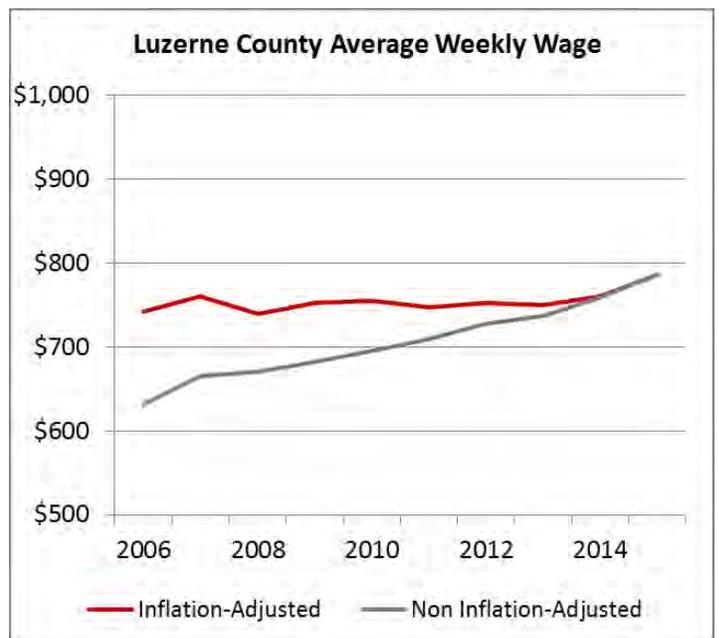
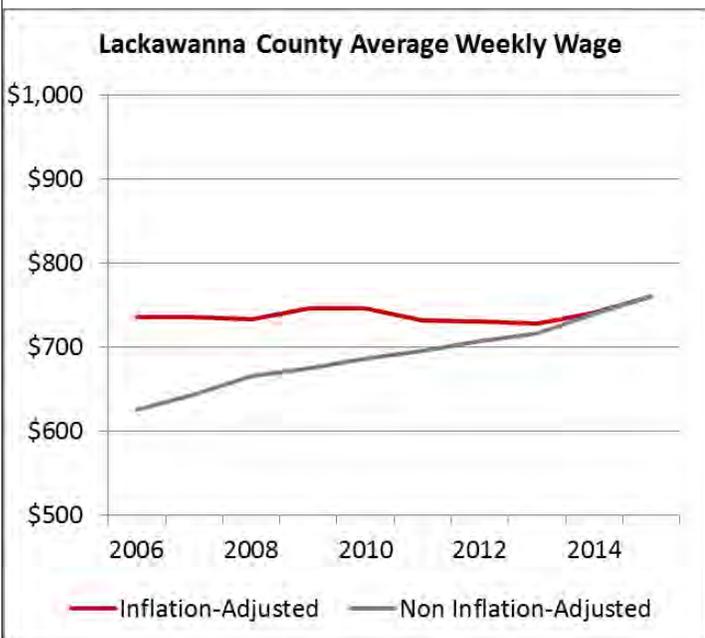
Selected Economic Indicators

Average Wages: 10 Year Trend

Since 2006, weekly wages have grown by over 21 percent in Lackawanna County and over 24 percent in Luzerne County in nominal dollars. After accounting for inflation, real wages have shown modest growth — 3.4 percent in Lackawanna County and 5.9 percent in Luzerne County over a ten year period. Wage growth in the two counties has been slower than Pennsylvania as a whole.

Another notable trend is that wage growth has been highly variable over the last decade. The years from 2010 to 2013 were marked by negative changes in real wages in both counties. Most of the gains in wages over the last decade have occurred from 2013 to 2015.

Average Weekly Wages							
	In Current Year Dollars (Non Inflation Adjusted)			In 2015 Inflation-Adjusted Dollars			
	Lackawanna	Luzerne	Pennsylvania	Lackawanna	Luzerne	Pennsylvania	
2006	625	631	795	2006	735	742	935
2007	643	665	832	2007	735	760	951
2008	666	671	853	2008	733	739	939
2009	675	682	862	2009	746	753	952
2010	686	695	879	2010	746	755	955
2011	695	709	905	2011	732	747	954
2012	707	728	931	2012	730	752	961
2013	716	737	944	2013	728	750	960
2014	740	759	972	2014	741	760	973
2015	760	786	1004	2015	760	786	1004
% Change	21.6%	24.6%	26.3%	% Change	3.4%	5.9%	7.4%



Selected Economic Indicators

Average Wages: Breakdown by Sector

Wages are highly uneven between industry sectors. In both counties the financial activities sector has the highest wages. This is followed by construction in Lackawanna County and natural resources and mining in Luzerne County. Leisure and hospitality has the lowest wages in both counties.

Change in wages has also varied between industries. Two of the three goods-producing sectors — natural resources and mining, and — have seen larger wage growth than the economy as a whole. The third goods-producing sector, manufacturing, has seen very slow wage growth in real dollars. The information sector has seen negative wage growth in both counties, and professional and business service wages have dropped in real dollars in Lackawanna County.

Average Weekly Wages by Sector: Lackawanna County				
	2006	2015	% Change - Non- Adjusted	% Change - Inflation Adjusted
Natural resources and mining	575	742	29.0%	9.8%
Construction	765	1040	35.9%	15.7%
Manufacturing	741	881	18.9%	1.1%
Trade, transportation, and utilities	507	648	27.8%	8.7%
Information	776	904	16.5%	-0.9%
Financial activities	877	1093	24.6%	6.0%
Professional and business services	689	767	11.3%	-5.3%
Education and health services	666	820	23.1%	4.7%
Leisure and hospitality	239	292	22.2%	3.9%
Other services	417	517	24.0%	5.5%

Average Weekly Wages by Sector: Luzerne County				
	2006	2015	% Change - Non- Adjusted	% Change - Inflation Adjusted
Natural resources and mining	650	1055	62.3%	38.1%
Construction	742	929	25.2%	6.5%
Manufacturing	769	939	22.1%	3.9%
Trade, transportation, and utilities	593	747	26.0%	7.2%
Information	830	896	8.0%	-8.2%
Financial activities	828	1106	33.6%	13.7%
Professional and business services	574	716	24.7%	6.1%
Education and health services	623	825	32.4%	12.7%
Leisure and hospitality	246	329	33.7%	13.8%
Other services	382	496	29.8%	10.5%

Signature Underwriter



The Willary Foundation is a family foundation dedicated to developing ideas and projects that are interesting, creative and imaginative and which benefit communities in Northeastern Pennsylvania. Willary seeks to foster groups with unique, innovative or unusual ideas and efforts.

The Foundation is disposed to leveraging the impact of its grants by encouraging efforts that could have a ripple effect in the community or by supporting projects in conjunctions with other sources of funding. The Foundation wishes to promote the special qualities of the people of Northeastern Pennsylvania.

Supporting Underwriters



A partnership among Keystone College, King's College, Lackawanna College, Luzerne County Community College, Marywood University, Misericordia University, Penn State Wilkes-Barre, The Commonwealth Medical College, University of Scranton & Wilkes University

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In its publications, The Institute uses the most current data available at the time of release.

Labor Market at a Glance

Figures from BLS for April through June 2016 showed unemployment rates in both counties and Pennsylvania as a whole that were near or slightly above the 2015 average. In June, the unemployment rate was higher in the two counties and statewide, at or above the six percent mark. The United States rate was at 5.1 percent. When compared to rates from previous years, June of 2016 had higher unemployment than 2015, but both counties still remain below 2014 figures.

	Unemployment Rate (Not Seasonally Adjusted)			
	Lackawanna	Luzerne	Pennsylvania	United States
2007	4.8	5.0	4.4	4.6
2008	5.8	6.2	5.3	5.8
2009	8.2	9.0	8.0	9.3
2010	9.0	10.0	8.5	9.6
2011	8.9	9.6	7.9	8.9
2012	8.9	9.8	7.8	8.1
2013	8.3	9.4	7.4	7.4
2014	6.6	7.4	5.9	6.2
2015	5.7	6.3	5.2	5.3
April '16	5.5	6.3	5.2	4.7
May '16	6.0	6.4	5.5	4.5
June '16	6.0	6.5	5.6	5.1

Source: US Bureau of Labor Statistics, Local Area Unemployment Statistics

Employment in the two counties remains below pre-recession peaks. However, employment has continued to trend upwards, and more workers are entering the labor force. In fact, from 2015 to June 2016, the size of the labor force has grown more quickly than total employment. This offers one explanation of why the unemployment rate appears to have stopped falling – a larger labor force means more workers looking for jobs. This is one indicator of a real economic recovery for the region. ♦

	Labor Force & Employment			
	Lackawanna County		Luzerne County	
	Labor Force	Employment	Labor Force	Employment
2007	106,909	101,792	159,118	151,181
2008	108,526	102,231	161,744	151,642
2009	107,192	98,396	161,298	146,781
2010	106,987	97,402	159,759	143,859
2011	107,271	97,811	159,839	144,496
2012	107,654	98,118	160,921	145,098
2013	107,613	98,661	160,775	145,618
2014	106,654	99,602	158,933	147,248
2015	106,388	100,353	158,303	148,351
April '16	106,896	100,796	159,006	149,020
May '16	107,488	101,222	159,864	149,632
June '16	108,067	101,637	160,753	150,253

Source: US Bureau of Labor Statistics, Local Area Unemployment Statistics

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