

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

Quarterly Economy Tracker

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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.

The Institute for Public Policy & Economic Development at Wilkes University

Wilkes-Barre Office:
85 South Main Street
Wilkes-Barre, PA 18701

Scranton Office:
St. Thomas Hall Room 107
University of Scranton
Scranton, PA 18503

Phone: 570.408.9850
Email: info@institutepa.org
www.institutepa.org

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Small Business Impact: Vital Contributions to Regional Economy

The significant role of small businesses in the economy - locally, regionally, and nationally- cannot be ignored. Small and local business continuously impact and make up a significant portion of the economy of Lackawanna and Luzerne counties. The regional economy depends on these businesses for diversity, resilience, and overall strength.

Two types of businesses will be discussed here: employers, which are businesses with at least one employee, and nonemployers, which have no employees.

Among business establishments in Lackawanna and Luzerne counties that have at least one employee, more than half have fewer than five employees, and over 70 percent have less than ten employees. Compared with data from 2013 and 2014, the percentage of employers with fewer than ten employees has generally been consistent, though the total number has declined in both counties.

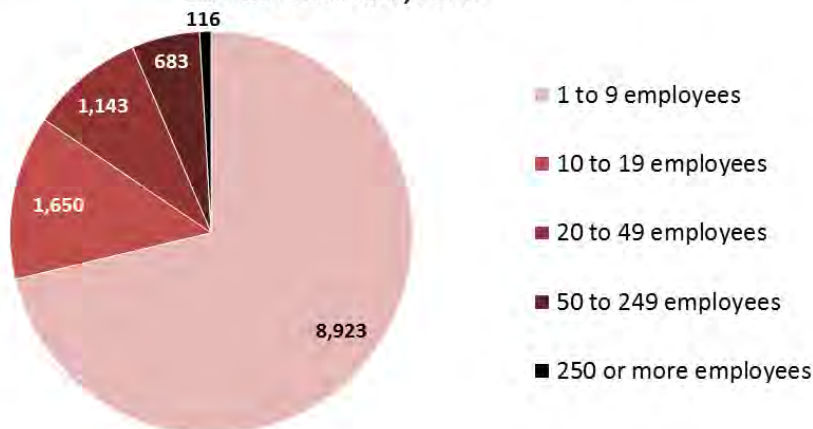
Establishment size is categorized by number of employees at that establishment without

regard to overall size of the firm or its ownership type. Thus, chain or franchise locations with fewer than ten employees are included in these statistics.

Another large component of the regional economy are nonemployer businesses. These are businesses with no paid employees. Many of these businesses are sole proprietorships or part-time businesses, including businesses owned by self-employed individuals. Even with no employees, these businesses are making

(continued on the next page.)

Establishments with Employees by Size: Lackawanna and Luzerne Counties, 2015



Source: U.S. Census Bureau County Business Patterns

Small Business Statistics *(continued from Page 1)*

considerable positive impact in the region. In 2015, there were over 28,000 nonemployer businesses in both counties combined, an increase of 0.5 percent from 2014. However, the most recent American Community Survey results have shown a slight decline in those who reported that they are self-employed as their primary job. A possible explanation for this contradiction is that some of the nonemployer business growth represents part-time or supplementary work in the growing "gig economy."

The revenue generated by small businesses have been increasing over the years regionally and statewide. In the two county region, nonemployer businesses generated over \$1.39 billion in receipts in 2015, an increase of just under one percent from the prior year. Statewide, receipts by nonemployers was over \$39 billion in 2015.

"In 2015, there were over 28,000 nonemployer businesses in both counties combined."

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
2015	3,809	11,887	15,696
% Change (2008-2015)	-3.2%	6.1%	3.7%

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
2015	5,114	16,739	21,853
% Change (2008-2015)	-4.5%	1.3%	-0.1%

Small Business Statistics - 2015			
	Lackawanna	Luzerne	Pennsylvania
Total Establishments with Employees	5,333	7,182	299,695
Percent with fewer than 5 employees	50.6%	51.0%	51.0%
Percent with fewer than 10 employees	71.4%	71.2%	70.8%
Total Nonemployers	11,887	16,739	811,890
Total Receipts by Nonemployers (Thousands \$)	\$585,835	\$812,029	\$39,393,184

Source: U.S. Census Bureau County Business Patterns

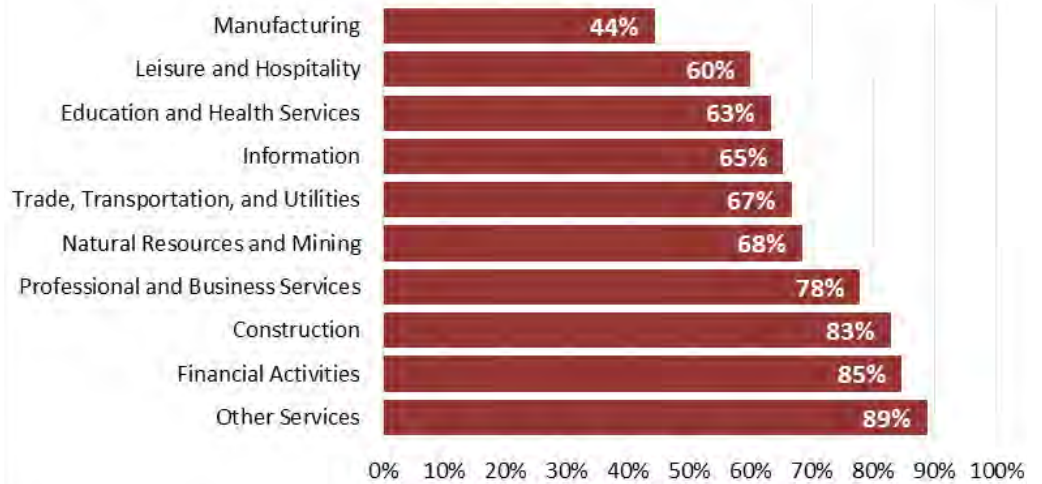
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Small Business Statistics *(continued from Page 2)*

Establishments with fewer than ten employees make up more than half of each major industry sector except for manufacturing, where small establishments are 44 percent of all establishments. Leisure and hospital, health and education, and information industry businesses also had a smaller than average share of establishments with fewer than ten employees. On the other end of the spectrum, construction, finance, and other services establishments are made up of more than 80 percent establishments with fewer than ten employees. Other services includes many miscellaneous personal services such as auto repair businesses and other mechanic repair businesses, laundromats, and hair salons. ♦

Percent of Establishments with Fewer than 10 Employees, by Industry



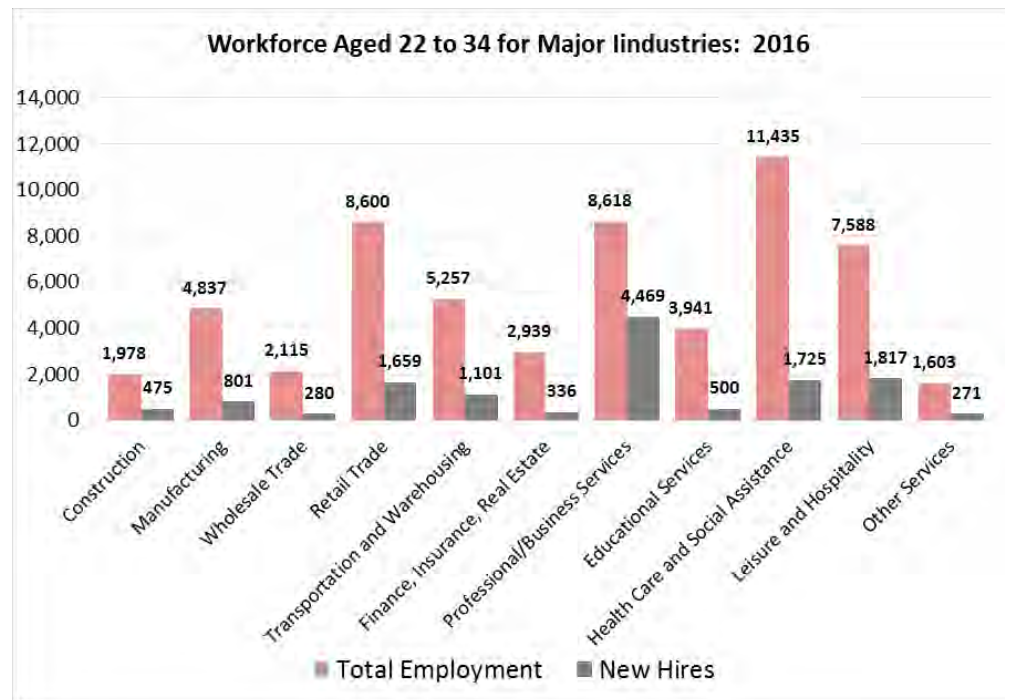
Source: U.S. Census Bureau County Business Patterns

Health Care Leads in Millennial Employment in NEPA

Millennials, defined here as the population currently aged 22 to 34, have become a major driver of the regional and nationwide economy and important segment of the workforce. In the two county area, this cohort accounts for over 62,000 workers.

The chart at right shows employment of workers aged 22 to 34 for selected industries in Lackawanna and Luzerne Counties. Health care employs the most millennial workers, over 11,000 in both counties. It is followed by professional and business services and retail with about 8,600 each. Leisure and hospitality, transportation and warehousing, manufacturing, and educational services also employ thousands of young adult workers.

Professional and Business Services leads industries in new hires of workers in this age range. It is followed by leisure and hospitality, health care, and retail. This data shows that millennial workers have become a key part of the workforce for many industries in the region. ♦



Source: JobsEQ

Cost of Living Index: Region Near National Average in 2017

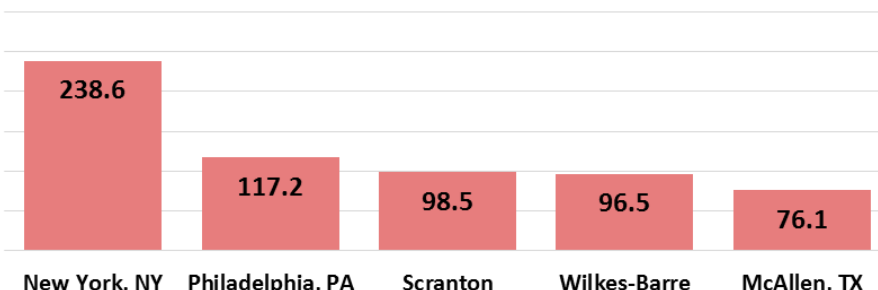
Since 2015, The Institute has participated in the Cost of Living Index, a nationwide effort to gather information of cost of living in regions around the United States. Recently released data from 2017 show that the region's cost of living index is slightly below the national average. The index was 98.5 for Scranton and 96.5 for Wilkes-Barre. A score of 100 represents the national average of 273 participating metro areas. The 2017 index scores are slightly lower than the past two years, indicating the region's cost of living is becoming more competitive relative to the national average.

The highest cost of living nationally is New York, NY at 238.6. Philadelphia had the highest among the seven participating cities in Pennsylvania, while Wilkes-Barre had the lowest. McAllen, Texas had the lowest index nationally at 76.1.

Among six major categories of items, the region is most competitive in the area of health care costs. Since 2015, both counties have had index scores well below the national average in healthcare. The region has also scored at or near average in grocery items, housing, and miscellaneous goods and services. Transportation and utilities are two areas where the cost of living regionally is slightly higher than the national average. However, the index score in both declined from 2016 to 2017, indicating a lower cost of living relative to the national average. ♦

Composite Cost of Living Index Annual Average: 2015-2017			
	2015	2016	2017
Scranton	100.1	101.0	98.5
Wilkes-Barre	99.7	102.5	96.5

Comparative COLI Index: 2017



Cost of Living Index Components							
Grocery Items			Transportation				
	2015	2016	2017		2015	2016	2017
Scranton	103.6	100.3	103.1	Scranton	107.7	111.7	105.6
Wilkes-Barre	103.0	102.9	103.4	Wilkes-Barre	107.5	113.7	104.9
Housing			Health Care				
	2015	2016	2017		2015	2016	2017
Scranton	91.2	98.2	90.0	Scranton	90.0	84.8	83.8
Wilkes-Barre	101.2	101.4	89.7	Wilkes-Barre	78.6	75.4	77.0
Utilities			Misc. Goods and Services				
	2015	2016	2017		2015	2016	2017
Scranton	116.5	117.3	106.6	Scranton	99.8	97.8	101.4
Wilkes-Barre	116.5	117.3	107.9	Wilkes-Barre	92.1	99.1	96.6

Source: Cost of Living Index, Council for Community and Economic Research

What items are used in the Cost of Living Index?

The index includes dozens of items across multiple categories that reflect a particular standard of living. The standard of living used for COLI is a household in the top income quintile. The items are tested for appropriateness by researchers before being included in the index. The items listed below are examples of items that are priced quarterly.

Grocery Items: Ribeye steak, orange juice, cola, olive oil, frozen corn, whole wheat bread, canned tuna, eggs, corn flakes

Housing: Cost to purchase a 4 bedroom 2 bathroom house, cost to rent a 2 bedroom apartment, mortgage interest rates

Transportation and Utilities: Gasoline, tire service, electricity, natural gas, heating oil, broadband internet

Health Care: Doctor exam, dentist exam, prescription insulin, ibuprofen tablets

Miscellaneous Items: Dry cleaning, haircut, movie ticket, yoga class, fast food hamburger, newspaper subscription

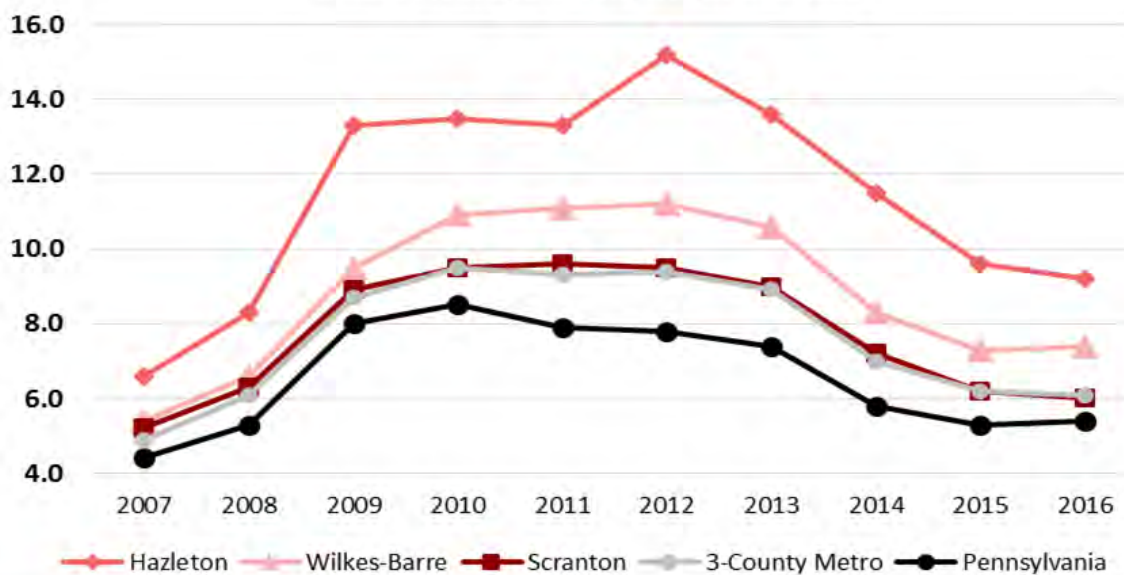
Selected Economic Indicators

City-Level Unemployment

The unemployment rate, a key measure of economic health, has varied across the region's three largest cities. The unemployment rates of all three cities rose significantly starting in 2008, and reached peak levels in 2011 in Scranton and 2012 in Hazleton and Wilkes-Barre. For the three-county metropolitan area (Lackawanna, Luzerne, and Wyoming), peak levels were reached in 2010, as was the case in the statewide unemployment rate. However, all five geographies analyzed here have seen substantial improvement since 2013. In fact, each geography shown has seen its unemployment rate drop by 34 to 39 percent compared with its recent peak level. Despite this consistent across the board improvement, rates in the cities of Wilkes-Barre and Hazleton remain somewhat higher than 2007 levels as well as the region and Pennsylvania as a whole.

City-Level Unemployment Rate Comparison: 2007 - 2016					
	Hazleton	Wilkes-Barre	Scranton	3-County Metro	Pennsylvania
2007	6.6	5.4	5.2	4.9	4.4
2008	8.3	6.6	6.3	6.1	5.3
2009	13.3	9.5	8.9	8.7	8.0
2010	13.5	10.9	9.5	9.5	8.5
2011	13.3	11.1	9.6	9.3	7.9
2012	15.2	11.2	9.5	9.4	7.8
2013	13.6	10.6	9.0	8.9	7.4
2014	11.5	8.3	7.2	7.0	5.8
2015	9.6	7.3	6.2	6.2	5.3
2016	9.2	7.4	6.0	6.1	5.4
% Change Since Peak Level:	-39%	-34%	-38%	-36%	-36%

Annual Average Unemployment Rate



Source: Bureau of Labor Statistics

Selected Economic Indicators

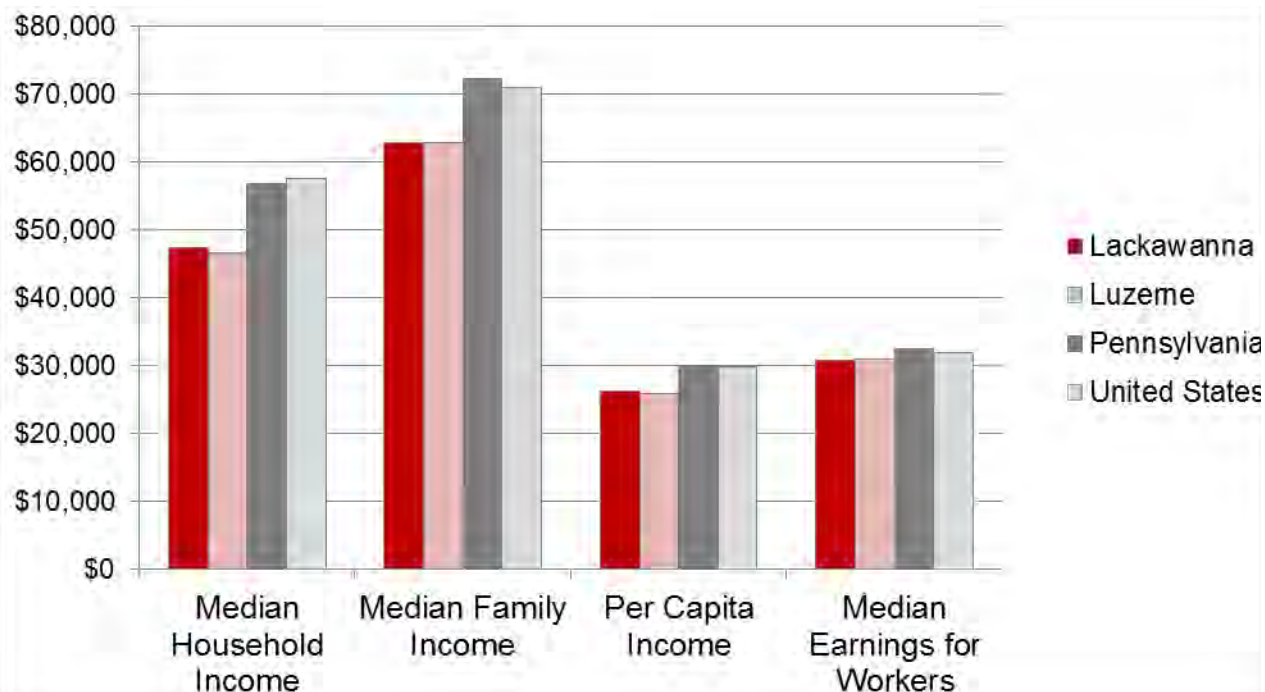
2016 Income Statistics

The table below shows comparative statistics for 2016 for four measures of income: median household income, median family income, per capita income, and median earnings among workers. In Lackawanna and Luzerne Counties, the median household income is around \$47,000 per year. For family households (which are households with two or more related persons), median income rises to nearly \$63,000. Per Capita income, which is simply the total of all aggregate income in the region divided by population, is about \$26,000 per person in the region. Median earnings for workers are just under \$31,000 per year.

In each measure, the region's incomes are below state and national statistics. However, the shortfall is considerably less in median earnings for workers. This suggests that the reason the region lags behind in income does not primarily have to do with jobs paying substantially lower wages. It is more likely a function of demographic factors such as the region's higher than average proportion of retirees.

Income Overview - 2016				
	Lackawanna	Luzerne	Pennsylvania	United States
Median Household Income	\$47,475	\$46,580	\$56,907	\$57,617
Median Family Income	\$62,964	\$62,946	\$72,313	\$71,062
Per Capita Income	\$26,179	\$25,899	\$30,137	\$29,829
Median Earnings for Workers	\$30,741	\$30,932	\$32,465	\$31,986

Income Comparison: 2016



Source: U.S. Census Bureau American Community Survey

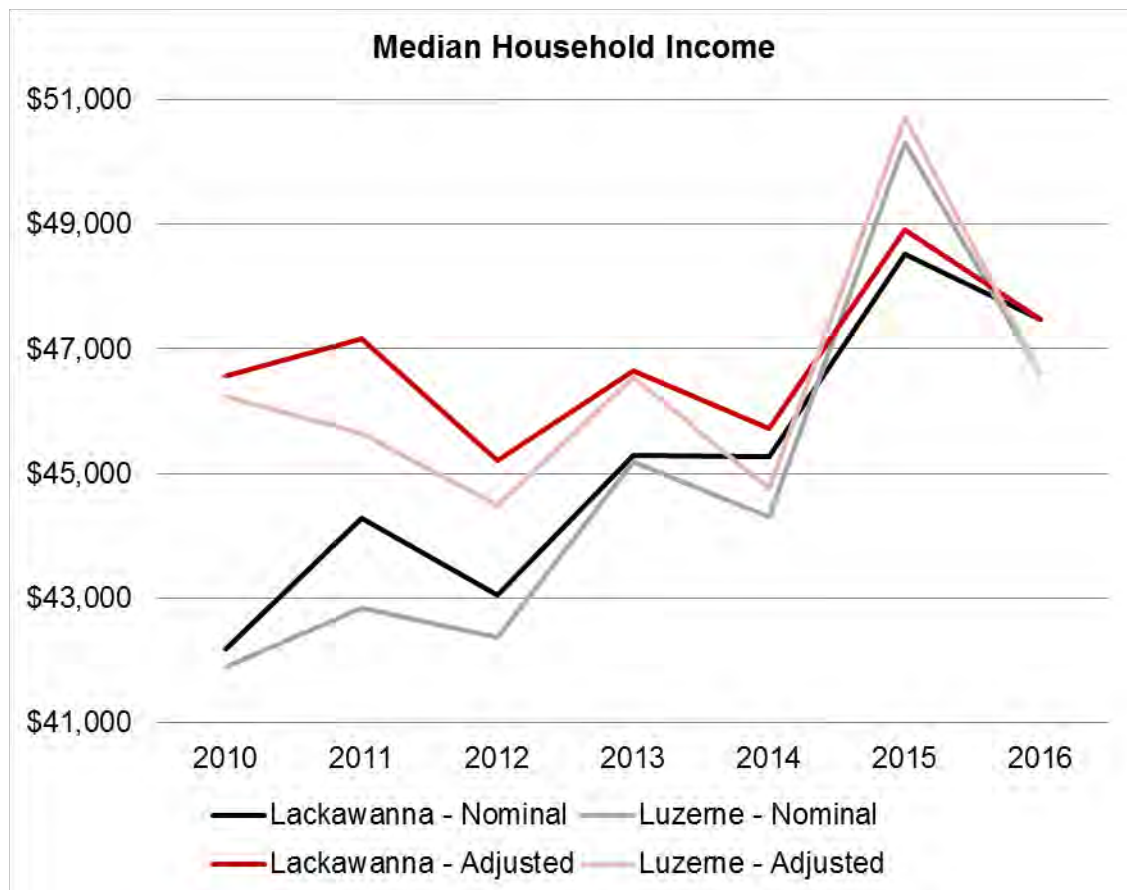
Selected Economic Indicators

Median Household Income Change

Median household income has generally followed an upward trajectory in both counties as well as Pennsylvania and the United States. Since 2010, median household income has grown by 12.5 percent in Lackawanna County and 11.2 percent in Luzerne County. However, when adjusted for inflation (2016 dollars), increases were more modest: a two percent growth in Lackawanna County and less than one percent in Luzerne.

From 2015 to 2016, income estimates dropped in both counties (by 2.1 and 7.4 percent, respectively) with a slightly larger drop in inflation-adjusted income.

Median Household Income Change Over Time				
	Nominal Income Change		Inflation-Adjusted Change	
	Lackawanna	Luzerne	Lackawanna	Luzerne
2010 to 2016 change	12.5%	11.2%	2.0%	0.7%
2015 to 2016 change	-2.1%	-7.4%	-3.0%	-8.2%



Source: U.S. Census Bureau American Community Survey

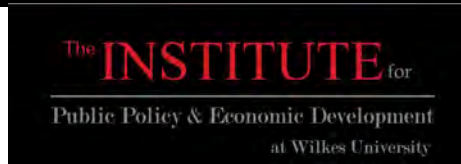
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The Willary Foundation is a family foundation dedicated to developing ideas and projects that are interesting, creative and imaginative and which benefit communities in Northeastern Pennsylvania. Willary seeks to foster groups with unique, innovative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



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The Institute's Research Team:

Teri Ooms, Executive Director
 Andrew Chew, Senior Research & Policy Analyst
 Susan Magnotta, Director of Community Outreach
 Erin McCormick, Research Assistant
 Duncan Mayer, Research Assistant
 Saidat Sanni, Graduate Assistant

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Labor Market at a Glance

The last several years have represented a significant economy recovery for Northeastern PA as well as the rest of Pennsylvania and the U.S. The most recent annual unemployment rates, for 2016, showed gradual but continual improvement locally. Data through October 2017 continues this trend, though the two counties' unemployment rates remain slightly higher than the statewide and national rates.

However, at least some of the continued decrease in the unemployment rate is actually a result of workers leaving the workforce. In 2017, monthly labor force participation has been weaker compared with the same months from previous years. However, total employment in both counties has increased by several thousand compared with lows seen during the last recession. ♦

Unemployment Rate (Not Seasonally Adjusted)				
	Lackawanna	Luzerne	Pennsylvania	United States
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	8.8	9.6	7.9	8.9
2012	8.8	9.8	7.8	8.1
2013	8.3	9.4	7.4	7.4
2014	6.6	7.3	5.8	6.2
2015	5.8	6.5	5.3	5.3
2016	5.7	6.4	5.4	4.9
Aug '17	5.5	6.0	5.1	4.5
Sep '17	4.6	5.3	4.4	4.1
Oct '17	4.4	5.0	4.2	3.9

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

Labor Force & Employment				
	Lackawanna County		Luzerne County	
	Labor Force	Employment	Labor Force	Employment
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	107,637	98,118	160,851	145,099
2013	107,637	98,722	160,776	145,708
2014	106,778	99,765	159,109	147,488
2015	106,494	100,295	158,915	148,647
2016	106,830	100,723	159,459	149,278
Aug '17	105,567	99,732	157,321	147,814
Sep '17	105,334	100,506	157,225	148,940
Oct '17	105,120	100,524	156,810	148,973

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

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