



The State of Rural Pennsylvania

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Harrisburg, Pennsylvania

The Keystone Research Center

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Overview

The State of Working Pennsylvania 2006 focused on the Pennsylvania economy and job market as a whole.¹ It documented a sharp disjuncture between an expanding economy measured by the growth of output, productivity, and profits but a stagnant economy measured by indicators that matter most to middle-class families—such as wages, income, benefit coverage, and poverty levels.

The State of Rural Pennsylvania brings the focus to Pennsylvania's less densely populated areas. It documents economic conditions in rural Pennsylvania today, and over the past 25–35 years, and compares them with those in urban areas. To define rural Pennsylvania, we primarily use the current Center for Rural Pennsylvania definition, which counts as rural 48 of 67 counties and 28% of the state population.

Our review of the economic status of rural Pennsylvania reveals good news and bad news.

The good news is that, measured by some economic indicators, rural Pennsylvania as a whole has performed as well or better than urban Pennsylvania since 1990. Job and population growth in rural Pennsylvania, for example, have outstripped that in urban Pennsylvania over the past 15 years. While some of this growth may reflect exurban sprawl, it nonetheless suggests that rural Pennsylvania as a whole is no longer declining relative to urban Pennsylvania as a whole.

The bad news is that rural Pennsylvania has never fully recovered from a downward slide of its living standards that took place in the 1980s. Rural Pennsylvania today remains poorer compared to urban Pennsylvania than it did at the end of the prosperous 1970s. This is true for rural Pennsylvania as a whole and within each of rural Pennsylvania's western, central, and eastern regions considered separately.

The policy message from this *State of Rural Pennsylvania* is that, even more than urban Pennsylvania, rural Pennsylvania needs an explicit economic plan to promote sustained prosperity and opportunity. Muddling through will no longer suffice.

A quarter century after the deep recession of the early 1980s, Pennsylvania still has no comprehensive economic plan to help rural Pennsylvania respond to a global economy and shrinking manufacturing sector. If rural Pennsylvania is left twisting in the wind for another quarter century, there is no good reason to expect anything but income and wage stagnation coupled, in some areas, with a loss of population and jobs. If, on the other hand, rural Pennsylvania receives the focus and the resources that it needs, it has rich assets that provide a basis for a new era of vitality: natural beauty, gorgeous small towns, a strong work ethic, and strong communities in which, more than in urban Pennsylvania, everyone remains “in it together.” With smart investment in the future, rural Pennsylvania already possesses the human and social capital needed for future prosperity.

The end of this report outlines public policies that could help rural Pennsylvania prosper in the decades ahead. Our goal is to encourage a more visible and long overdue debate about the future of rural Pennsylvania, leading to the fuller development of the missing plan for prosperity and opportunity and, then, critically, to the implementation of that plan.

While we present some data on individual counties, the thrust of this report is on rural Pennsylvania as a whole. Just as the Brookings Institute's *Back to Prosperity* report released in late 2003 sought to underscore what

1. Mark Price and Stephen Herzenberg, *The State of Working Pennsylvania 2006* (Harrisburg: Keystone Research Center, 2006), online at www.stateofworkingpa.com

Pennsylvania metropolitan areas have in common, we want to underscore what rural Pennsylvania regions have in common. We hope that this will make more visible the challenges of rural Pennsylvania—and contribute to the crafting and implementation of state policies that promote rural economic development and an improved quality of life in the future.

Rural Job and Population Growth Exceed Urban Since the late 1980s

The popular perception is that rural Pennsylvania is largely in decline, while parts of urban Pennsylvania, especially in the southeast and south central parts of the state, have enjoyed robust growth. In fact, 1980–1987 was the only sustained period since 1969 in which rural job and population growth in Pennsylvania trailed urban.

- Since 1987, job growth in rural Pennsylvania has been twice as fast as in urban Pennsylvania—25% versus 13%.
- Since 1989, rural population growth has been 6% versus 4% for urban Pennsylvania.

To be sure, job growth and population growth are not complete measures of economic well-being. Some of the jobs pay poorly, and some of the job growth reflects women entering the labor market because male wages fell. The fastest population growth in rural Pennsylvania is in seven counties (Adams, Butler, Centre, Franklin, Monroe, Pike, and Wayne) experiencing growth in exurban sprawl, with five of these counties attracting residents who commute to jobs in other states.

But the numbers since the late 1980s do underscore that rural Pennsylvania is not in a free fall. Thirty-one rural Pennsylvania counties gained population since 1989 while only 16 lost population. Only Cambria County lost more than 6% of its population. Rural Pennsylvania is stable enough for a new effort to restore vitality.

The Rural-Urban Unemployment Gap Declines to Almost Zero

In the early 1980s, measured by unemployment rates, rural Pennsylvania experienced a substantially more severe economic recession than did urban Pennsylvania. The unemployment rate in rural Pennsylvania peaked at nearly 17% compared to about 12% in urban Pennsylvania.

Since the late 1980s, however, the unemployment rate in rural Pennsylvania has gradually fallen towards the rate in urban Pennsylvania. In the 2000–2007 period, rural unemployment rates fell to only a little above the urban—4.4% in the first quarter of 2007 versus 4% for urban Pennsylvania.

Public Transfer Payments Help Sustain Rural Pennsylvania

One source of income that helped sustain rural Pennsylvania economically over the past three decades was payments from public programs, or “transfer payments.” Despite a widespread perception that urban Pennsylvania relies more than rural Pennsylvania does on such transfer payments, the reverse is actually the case:

- As a share of personal income, transfer payments make up 22% of personal income in rural areas versus 16% in urban areas.
- Medicare, Medicaid, and Social Security account for about 80% of all transfer payments.
- Welfare cash benefits account for less than 0.15% of total transfer payments in both rural and urban Pennsylvania.
- As a share of personal income, welfare cash benefits are slightly higher in urban Pennsylvania than rural—by one twentieth of a cent for each dollar of personal income.

The Rural Education Gap Restrains Economic Growth and Opportunity

Better-than-expected news on the jobs and population fronts should not obscure the challenges that rural Pennsylvania faces positioning itself for future growth.

At the top of the list of challenges is the rural education gap—rural Pennsylvania substantially trails urban Pennsylvania when measured by educational attainment. This gap was large in the 1970s, when education mattered somewhat less to economic opportunity and economic growth. This gap is even larger today:

- Only 45% of rural adults (ages 25–64) today have more than a high school degree versus 56% in urban areas.
- Only one in five rural Pennsylvanians 25–64 has a college degree, compared with almost one in three in urban Pennsylvanians.
- These gaps in educational attainment persist even among rural people age 25–40. They do not simply reflect an older population in rural Pennsylvania but also stem from persistent differences in postsecondary accessibility and, possibly, in cultural attitudes. These persistent gaps could also reflect the difficulty rural Pennsylvania has holding onto more educated young people or bringing them home again after they go elsewhere to college.

Rural Pennsylvania Still Depends Heavily on Manufacturing, but Also Needs Middle-Class Jobs in Other Industries

Over the past 35 years, manufacturing has declined sharply as a share of total employment throughout Pennsylvania but somewhat less so in rural Pennsylvania:

- In rural Pennsylvania, manufacturing employment as a share of total employment fell from 25% in 1979 to 13% in 2005.
- In urban Pennsylvania, manufacturing employment as a share of total employment fell from 25% in 1979 to 9% in 2005.
- Manufacturing still accounts for 22% of total wage income in nonmetropolitan Pennsylvania compared with 17% in metropolitan Pennsylvania.²

These statistics underscore the importance of manufacturing to rural Pennsylvania and further underscore that rural Pennsylvania has a pressing need for innovative state policies that can sustain and grow manufacturing. At the same time, figures on the share of employment and wage income accounted for by manufacturing make clear that manufacturing can no longer by itself sustain a rural middle class. More service industries must generate family sustaining jobs in the future if rural Pennsylvania is to have economic opportunity for all.

Average Rural Wages and Incomes Decline in the 1980s but Rise Modestly Since

Rural Pennsylvania living standards, measured by wages and income, declined in the 1980s in absolute terms and relative to urban Pennsylvania. Since the early 1990s, by these measures, rural Pennsylvania has recovered somewhat in absolute terms and stopped declining relative to urban Pennsylvania:

2. This sentence is based on a data source that permits calculation of wage income by industry and is a different source than used for the employment estimates in the two previous bullets.

- In inflation-adjusted terms, average wages per job in rural Pennsylvania dropped 9% from 1978–82, recovered only 3% by 1993, and then climbed another 9% by 2005.
- Average wages per job declined in rural Pennsylvania relative to urban from 87% in the 1977–81 period to 78% by the end of the 1980s, and 73% throughout 2000–05.
- Per capita income in rural Pennsylvania was 18% below the urban average at the end of the 1970s but then fell to 25% below by 1990, holding steady at about 27% below since the end of the 1990s

Middle- and Low-Income Rural Taxpayers Lose in the 1980s, Recover Some Ground Since

Average wages and per capita income both measure overall or average living standards in urban and rural Pennsylvania. A new data set constructed by KRC makes it possible to look at any point on the taxable income curve, and thus to distinguish the economic progress of upper- and middle-income taxpayers from low-income ones. Doing this reveals that

- the lowest 70% of the rural taxable income distribution experienced a decline in income, adjusted for inflation, between 1979 and 2005.
- since 1989, rural taxable incomes in the bottom 70% of the distribution have recovered some ground relative to urban Pennsylvania and also seen increases in their inflation-adjusted income.
- while their taxable incomes have risen, the most affluent rural taxpayers have lost ground relative to their urban counterparts in all periods since 1979.

Rural Workers Lack Pension and Health Benefits Even More Than Urban

Turning from wages and incomes to benefits, rural Pennsylvanians also trail urban ones:

- The share of nonmetropolitan Pennsylvanians younger than age 65 who lack health insurance substantially exceeds the same share in the rest of the state. (Recall that non-metropolitan Pennsylvania makes up a bit more than half of rural Pennsylvania.) Whereas 16% of nonmetropolitan Pennsylvanians have no health insurance, the same figure in the rest of the state is 12%.
- The share of nonmetropolitan Pennsylvanian workers without pension benefits is two percentage points below the same share in the rest of the state (54% versus 52%).

Rural Pennsylvanians Are Still In It Together

Because incomes and earnings have increased less at the top end in rural than urban Pennsylvania, levels of economic inequality are lower in rural Pennsylvania. In two senses, then, rural Pennsylvanians are “in it together” more than urban ones:

- First, even those at the high end of the distribution in rural Pennsylvania have enjoyed only modest economic gains in the past quarter century and have an interest in new approaches that might yield more rapid improvements in living standards
- Second, since the highest earners have pulled apart less dramatically from the middle in rural Pennsylvania, there may be less of a sense of detachment from the broader community among the most affluent.

To the extent that economic polarization translates into greater community solidarity in rural Pennsylvania, this

sense of cohesion provides an important cultural resource in the development and delivery of new economic strategies.

An Economic Agenda for Rural Pennsylvania

The data presented in this report underscore the need for new economic policies that would bring more robust prosperity to rural Pennsylvania. In the absence of a comprehensive state or federal policy response to economic globalization and the decline in manufacturing jobs, rural Pennsylvania has struggled economically over the past three decades. At the same time, the economic free fall of the early 1980s is long past. Now, before a new economic crisis or new wave of manufacturing job losses, is the time to chart and implement a course for rural prosperity.

What action steps should an economic agenda to renew rural Pennsylvania include? The end of this report details the following five-point agenda, developed with input from an advisory group of rural Pennsylvanians and grounded also in economic research:

1. Develop a business plan for rural Pennsylvania and the key leadership at the state and regional level to implement it.
2. Become a national model in rural education and skill development for the 21st century.
 - Invest in a statewide community and four-year college infrastructure that makes postsecondary education accessible and affordable throughout rural Pennsylvania
 - Continue to invest in an industry linked workforce development approach
 - Raise state K-12 funding so that all rural schools have funds adequate for a quality education
 - Deliver increased prekindergarten investment through flexible rural delivery systems
3. Invest in economic development strategies that capitalize on the existing strengths of rural areas and create good jobs.
 - Fund the development and implementation of comprehensive economic strategies for each rural region
 - Deepen the state's manufacturing strategy to build on existing industry clusters in rural areas, including by investing state dollars in industry collaborations on technology, marketing, and innovation
 - Develop job quality improvement strategies in rural industries with big shares of low-wage jobs (such as tourism, agriculture, and long-term care)
 - Enact business subsidy accountability legislation that ensures that subsidized rural businesses help create middle-class jobs
4. Support the long-term security of the rural middle class through more affordable access to health insurance and retirement security.
5. Lower the rural share of state taxes through more progressive taxation. When taxes are regressive, and Pennsylvania's are highly so, lower-income taxpayers pay a bigger share of their income in taxes than higher-income taxpayers. As a result, rural Pennsylvania currently pays a substantially larger share of its total income in state and local taxes than does suburban Pennsylvania.

While developed independently, our recommendations overlap those in three recent reports released by the Brookings Institution and the Pennsylvania Economy League (see Table 1 on page 7).

Given the emerging consensus on what it would take to boost prosperity in rural Pennsylvania, an unmatched opportunity exists to move forward. On the special web page established in conjunction with the release of this report, www.keystoneresearch.org/ruralpa/, citizens in rural Pennsylvania can find suggestions on what they can do to help generate the political will needed for a comprehensive strategy. Here's the bottom line: The global economic challenges facing rural Pennsylvania are immense and unprecedented. The market economy is a great thing, but it will not automatically or by itself address these challenges. Rural Pennsylvanians have to get together and to work together in some new ways if they want to create a possible future that meets the economic aspirations of individuals and families, fills young people with hope, and becomes an example for the nation. Through enlightened leadership, citizen engagement, and creative problem solving, rural Pennsylvania can achieve the prosperous future and robust quality of life it deserves.

Table 1. A Comparison of KRC’s Rural Economic Strategy Recommendations With Recommendations on Economic Development in Three Other Recent Reports on Pennsylvania

KRC Policy Recommendation	Alter et al./Muro et al./PEL Recommendations
1. Develop a business plan for rural Pennsylvania and the key leadership at the state and regional level to implement the plan	<ul style="list-style-type: none"> • Alter et al.—Develop and implement more holistic regional economic strategies. Foster local capacity and leadership while recognizing that successful development requires external resources • PEL—Economic development by county or by economic corridors
2. Become a national model in rural education and skill development for the 21 st century <ul style="list-style-type: none"> • Invest in a statewide community and technical college infrastructure that makes two years of postsecondary education accessible and affordable throughout rural Pennsylvania • Continue to invest in an industry linked workforce development approach • Raise state K–12 funding so that all rural schools have funds adequate for a quality education • Invest in quality pre-kindergarten delivered through flexible rural delivery systems 	<ul style="list-style-type: none"> • Muro et al.—Expand the role of the state’s Industry Partnership grants
3. Invest in economic development strategies that capitalize on the existing strengths of rural areas and create good jobs: <ul style="list-style-type: none"> • Fund development and implementation of comprehensive economic strategies for each rural region • Deepen the state’s manufacturing strategy to build on the existing industry clusters in rural areas, including by investing state dollars in industry collaborations on technology, marketing, and innovation • Develop job quality improvement strategies in rural industry clusters (such as tourism, agriculture, and long-term care) with big shares of low-wage jobs • Enact business subsidy accountability legislation that ensures that subsidized rural businesses help create the needed middle-class jobs 	<ul style="list-style-type: none"> • Alter et al.—Leverage Local Assets. Draw on uniqueness of each region: 1) think and act regionally; 2) identify indigenous assets; 3) match assets with existing or emerging global market niches; 4) invest and reinvest to allow communities and regions to capitalize on assets; 5) foster local entrepreneurship <p>Muro et al.</p> <ul style="list-style-type: none"> • Make additional grants to industry groups on such issues as market or strategy development • Make clusters the primary client of the Governor’s Action Team • Strengthen and then act upon a cluster economic vision: create—and then commit to—the Commonwealth Clusters Principles
4. Support the long-term security of the rural middle class through more affordable access to health insurance and retirement security	
5. Lower the rural share of state taxes through more progressive taxation	

Sources. Theodore R. Alter et. al., *Strengthening Rural Pennsylvania: An Integrated Approach to a Prosperous Commonwealth* (Washington, DC: The Brookings Institution Metropolitan Policy Program, 2007); Mark Muro, Rebecca Sohmer, and Amy Liu, *Committing to Prosperity: Moving Forward on the Agenda to Renew Pennsylvania* (Washington, D.C.: Brookings Institution Metropolitan Policy Program, 2007); and Pennsylvania Economy League, *Structuring Healthy Communities* (Harrisburg: PEL, 2007).

The State of Rural Pennsylvania

This report relies, when possible, on the definition for “rural” and “urban” Pennsylvania currently used by the Center for Rural Pennsylvania (CRP). Using this definition, rural Pennsylvania includes 48 of 67 counties and 28% of the state population.

One alternative way we occasionally distinguish more and less densely populated areas is by relying on Office of Management and Budget (OMB) definitions to identify what we label as nonmetropolitan counties in Pennsylvania.³ Using our definition of nonmetropolitan, this region in Pennsylvania includes 35 counties and 16% of the state’s population. While our nonmetropolitan region includes much less of Pennsylvania than the CRP definition of rural Pennsylvania, trends in metropolitan vs. non-metropolitan Pennsylvania are similar to those in urban vs. rural Pennsylvania.

Unless otherwise noted, dollar values in the report are adjusted for inflation and expressed in 2004, 2005, or 2006 dollars, i.e., the buying power of wages at 2004, 2005, or 2006 prices. (In each of the analyses below, we use the price level in the last year of the data series used.) For inflation adjustments since 1978, we use the CPI-U-RS, a consumer price index published by the Bureau of Labor Statistics (BLS). Before 1978, the CPI-U-RS is not available and we instead use the CPI-U.

Rural Job Growth Exceeds Urban Except in the 1980s

The popular perception is that rural Pennsylvania is largely in economic decline while parts of urban Pennsylvania, especially in the southeast and south central parts of the state, have enjoyed robust growth. In fact, the first seven years of the 1980s was the only period since 1969 in which urban job growth exceeded rural (Figure 1). Since 1987, job growth in rural Pennsylvania has been twice as fast as in urban Pennsylvania, 25% versus 13% (based on the the Local Area Unemployment Statistics (LAUS) data base). Over the entire 1970 to 2006 period, rural job growth has been 45% versus 26% in urban Pennsylvania.

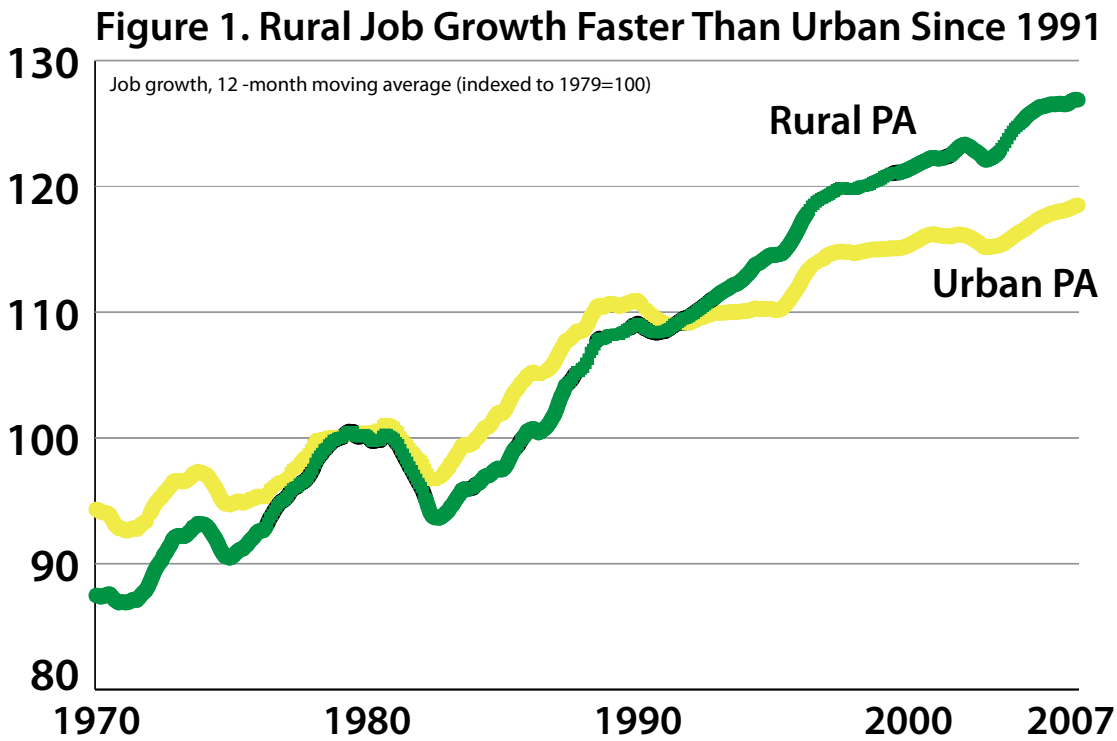
As in urban Pennsylvania, of course, some of this job growth reflects women entering the labor force to maintain or raise family living standards in the face of male earnings decline or job loss. Other job growth in rural Pennsylvania stems from the outward movement of suburban “sprawl.” Thus, job growth is not always an unallied good. Nonetheless, the job figures for rural Pennsylvania do suggest that no overall or dramatic economic decline has taken place.

As Table A1 shows, job growth varies widely in rural counties. From 2000 to 2005, job growth varied from 30% in Pike County to -10% in Potter (according to Bureau of Economic Analysis (BEA) data).

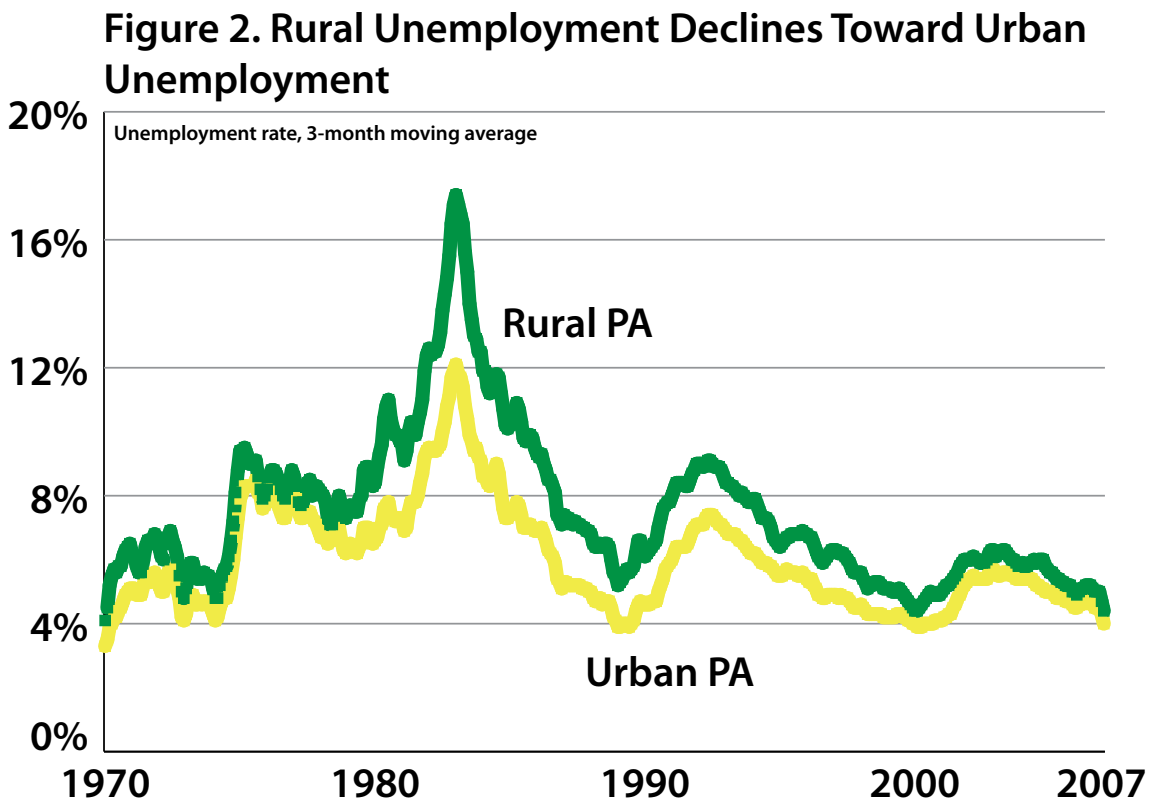
Population Trends

Over the entire 1969–2004 period, the population of rural Pennsylvania grew slightly more quickly than urban Pennsylvania (Table A2). In the 1980s, rural Pennsylvania grew more slowly. Since 1989, the nine fastest growing counties in Pennsylvania have been rural counties and, since 2000, the 12 fastest growing

³ We define nonmetropolitan as any county within a Core Based Statistical Area (CBSA) categorized by OMB as a micropolitan area plus any county that lies entirely outside of a CBSA. For more on this and an overview of a wider variety of alternative ways of defining “rural,” see the “What is Rural?” discussion in Alter et al., *Strengthening Rural Pennsylvania*, section II, pp. 3-4.



Source. Keystone Research Center (KRC), based on Local Area Unemployment Statistics (LAUS), not seasonally adjusted, January 1970–March 2007



Source. KRC, based on LAUS, Seasonally Adjusted, January 1970–March 2007

Most of Pennsylvania's fast-growing counties border on metropolitan regions that have experienced residential housing booms and ancillary service industry growth. These counties include Pike, Monroe, and Wayne, that border on New Jersey and have become home to many commuters to jobs in New York City, and Franklin and Adams Counties, which border on the state of Maryland and on the Harrisburg-Lebanon-Carlisle metropolitan area. In Pike County, one in five residents commutes to a job out of state. In Adams, Franklin, Monroe, and Wayne, between one in 10 and one in 24 residents commute to a job in another state (compared to a statewide figure of one in 48).⁴

Another important demographic trend has been the fast growth of the Hispanic population in rural Pennsylvania, albeit from a very small base. The number of Hispanics or Latinos in rural counties increased by almost 50% from July 2000 to July 2005. In absolute terms, however, this rise was only about 18,000 people. Moreover, Monroe County alone accounted for almost 60% percent of this increase. Adams and Franklin Counties together accounted for half of the rest, with Schuylkill, Northumberland, and Wayne accounting for another 8%.

The Rural Unemployment Gap Closes in Recent Years

Unemployment rates in rural Pennsylvania have consistently exceeded those in urban Pennsylvania since 1969 (Figure 2). These rates were generally only about a percentage point apart in the 1970s.

In the early 1980s, rural unemployment spiked much higher than urban. Rural unemployment peaked at nearly 17%, compared to only about 12% in urban areas. Throughout the rest of the 1980s, the rural unemployment rate remained substantially above that of urban Pennsylvania.

In the 1990s, the rural unemployment rate fell towards the rate in urban areas, and in the 2000 to 2007 period, the gap between these rates fell even more. In the first quarter of 2007, the rural unemployment rate equaled 4.4% versus 4% in urban areas.

Rural Pennsylvania Relies More on Transfer Payments Than Urban Pennsylvania

Another finding about rural Pennsylvania that, along with job and population growth, confounds conventional wisdom is the region's reliance on payments from public programs, or transfer payments. While a widespread perception exists that urban Pennsylvania, driven by the needs of cities, relies more heavily than rural Pennsylvania on transfer payments, the reverse is actually the case. As a share of personal income, transfer payments are substantially more important in rural Pennsylvania than in urban (Figure 3).

Moreover, the greater reliance of rural Pennsylvania on transfer payments has grown over time—from a gap of three cents for each dollar of personal income in the 1970s to six cents in 2004 (i.e., 22 cents of each dollar of income in rural Pennsylvania versus 16 cents in urban).

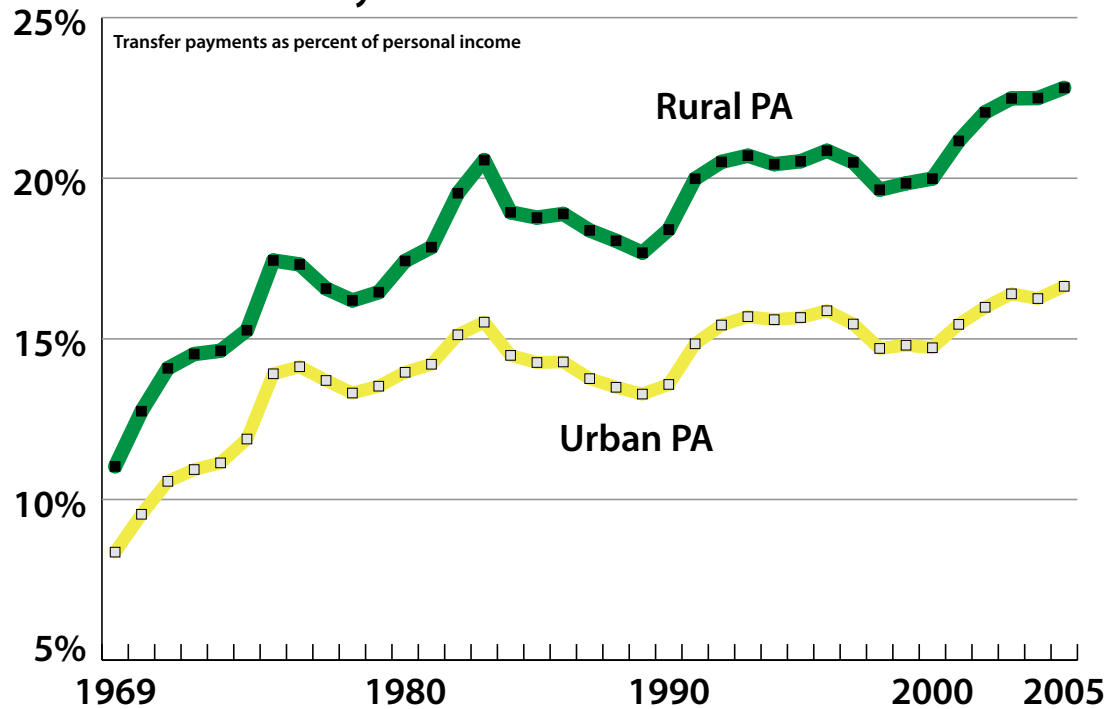
In inflation-adjusted terms, transfer payments have risen from about \$1,600 per capita in 1969 in both rural and urban Pennsylvania to nearly \$6,000 per person.

Medical benefits (Medicare and Medicaid payments that cover the cost of medical care for seniors and for poor

4. The source for the commuting statistics in the previous two sentences is Keystone Research Center based on Pennsylvania Department of Labor and Industry data.

families) and Social Security account for about 80% of all transfer payments. Medicare and Medicaid have grown especially over time, from 1.5% to 10% of rural income (Figure A1). Unemployment compensation, although only a small fraction of total transfer payments, is a higher share of personal income in rural than in urban Pennsylvania, reflecting higher unemployment rates (Figure A2). Welfare cash benefits now account for less than 0.15% of total transfer payments (Figure A3). As a share of personal income, welfare cash benefits are higher in rural Pennsylvania—by one twentieth of a cent per dollar of personal income.

Figure 3. Transfer Payments More Important in Rural Than in Urban Pennsylvania



Note. Transfer payments are payments by government and business to persons for whom no current services are performed. These include payments for retirement and disability, medical payments (mainly Medicare and Medicaid), income maintenance benefits, and unemployment insurance benefits. For the complete definition see <http://bea.gov/bea/regional/definitions/nextpage.cfm?key=Personal%20current%20transfer%20receipts>.

Source. KRC, based on Bureau of Economic Analysis (BEA) data

The Rural Educational Attainment Gap

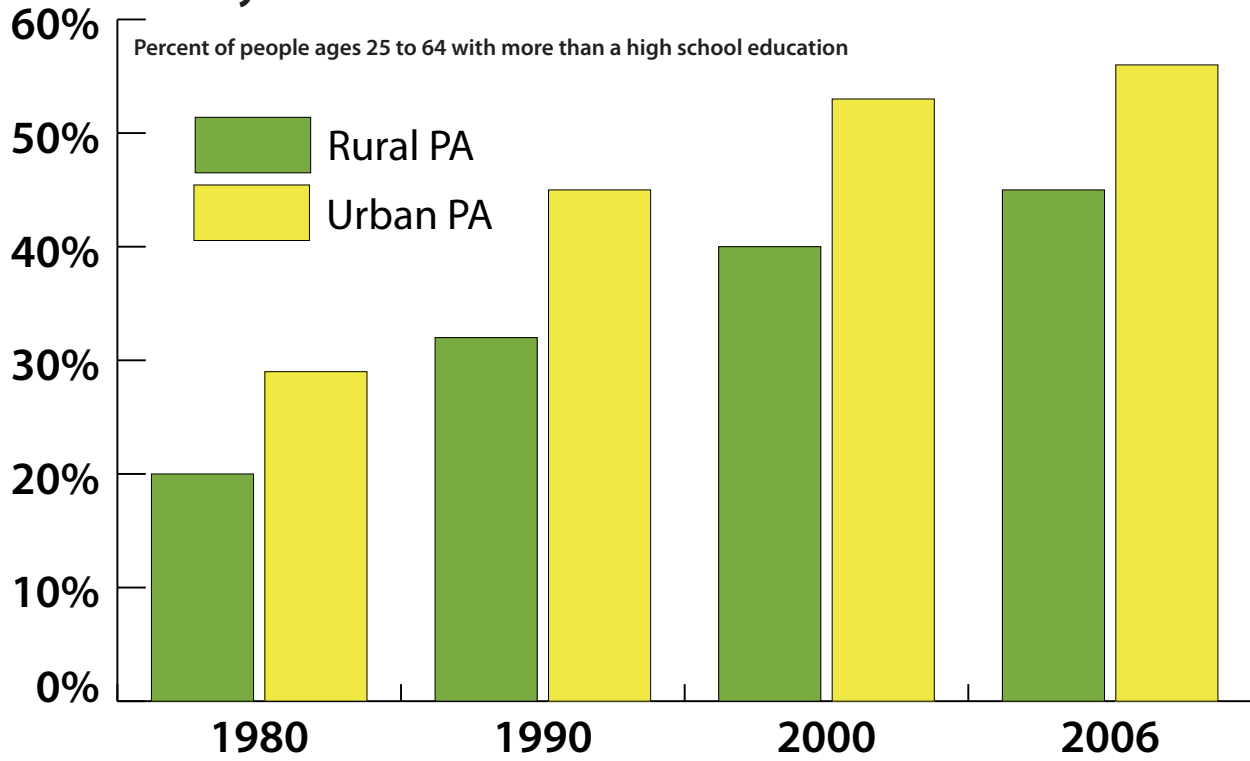
While rural Pennsylvania is doing better measured by job growth and population than many observers realize, it is not doing as well by some other measures, including educational attainment, wages, and income.

One of the most important areas in which rural Pennsylvania lags is educational attainment:

- In 1980, a large majority of adults 25–64 had no more than a high school education in both rural and urban Pennsylvania (80% and 71% respectively) (Figure 4).
- By 2006, the urban population share with more than a high school degree had climbed to 56% but the rural only to 45% (Figure 5).
- Higher up the educational attainment curve, 21% of rural Pennsylvanians 25–64 now have a college degree, far below the 31% in urban areas.

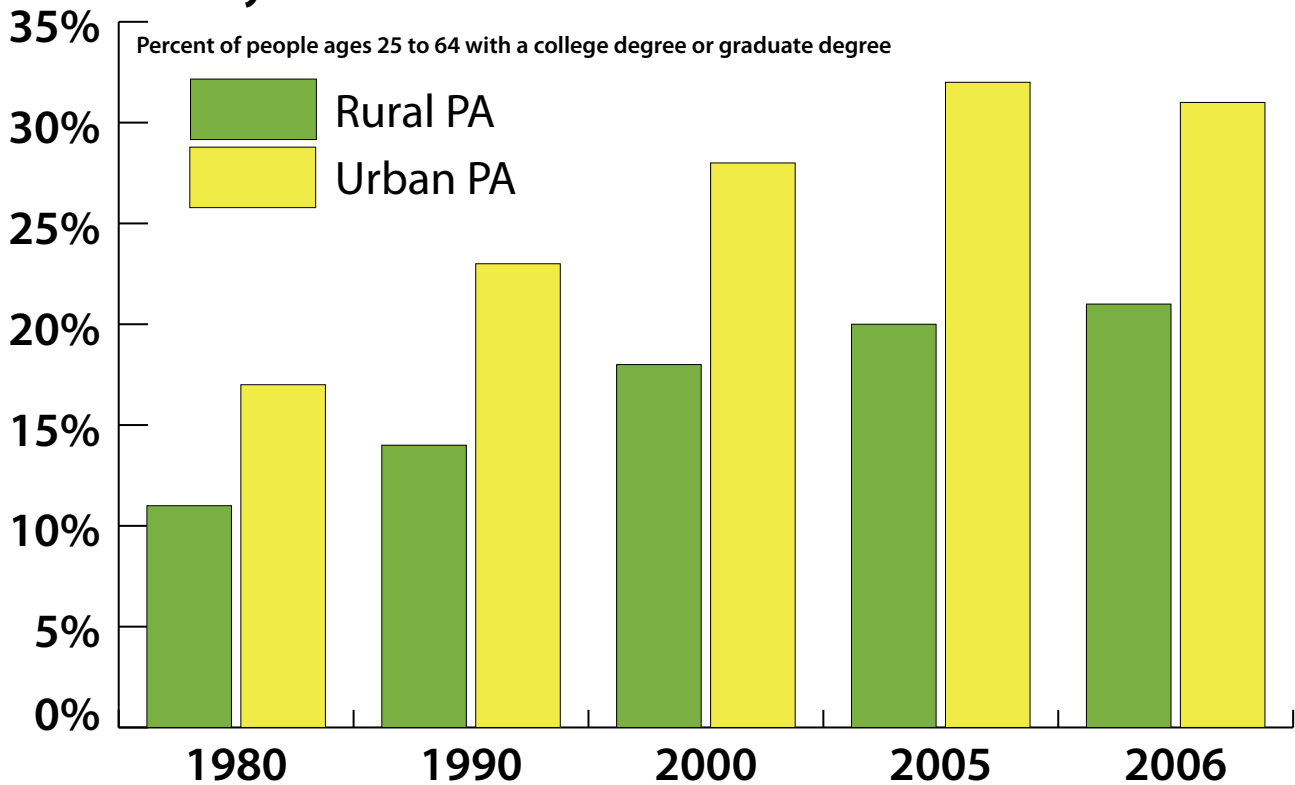
The rural education attainment gap might be ascribed to an older population and thus likely to shrink gradually over time. Figure A4, however, shows that the gap in college degree attainment between rural and urban areas persists even among people age 25–40. This suggests that the gap does not simply reflect an older population in rural Pennsylvania but also relates to persistent differences in postsecondary accessibility and, possibly, to cultural attitudes. This persistent gap could also reflect the difficulty rural Pennsylvania has holding onto its more educated

Figure 4. Fewer Adults Go Beyond High School in Rural Pennsylvania



Source: KRC, based on US Census and American Community Survey (ACS)

Figure 5. Fewer Adults Have College Degrees in Rural Pennsylvania



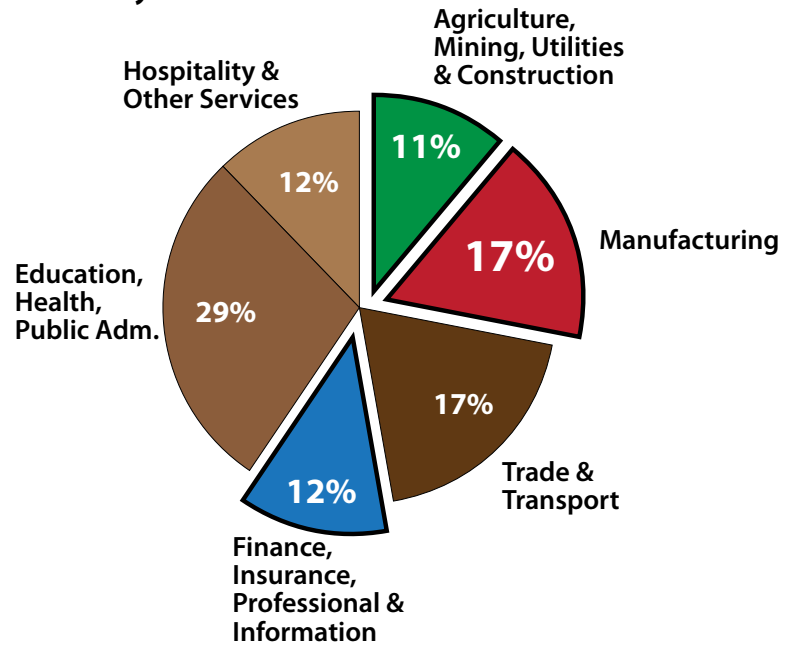
Source: KRC, based on US Census and ACS

young people. It could also stem, in part, from difficulty attracting rural young people back home after they go to urban Pennsylvania or leave the state to get a college education.

Manufacturing Remains Very Important to Rural Pennsylvania

Both rural and urban areas of Pennsylvania have lost substantial manufacturing employment since 1969 and 1979 (Table A3). Rural Pennsylvania, however, has lost a somewhat smaller share of its manufacturing employment than urban Pennsylvania, especially in the 1980s. Therefore, the loss of manufacturing jobs does not explain why wages and incomes in rural Pennsylvania have declined relative to urban Pennsylvania.⁵ The explanation for this relative decline lies more with the persistently high unemployment rate in rural Pennsylvania,

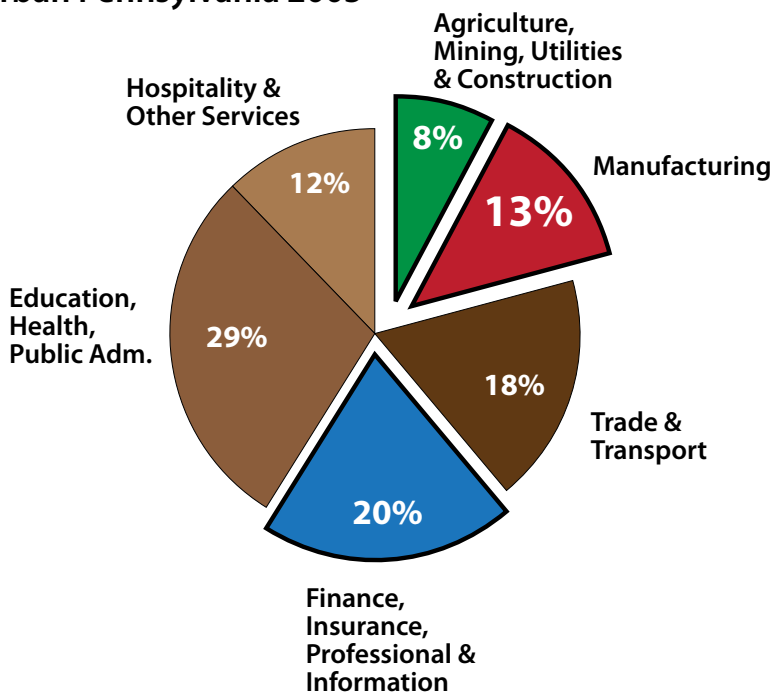
Figure 6. Employment Shares by Major Industry, Rural Pennsylvania 2005



Source: KRC, based on the ACS

the difficulty rural Pennsylvania has had diversifying into high-wage service industries, and lower labor force participation in rural areas.⁶

Figure 7. Employment Shares by Major Industry, Urban Pennsylvania 2005



Source: KRC, based on the ACS

Looking forward, manufacturing today is more important to the future of rural Pennsylvania than to the future of urban Pennsylvania. In 2005, 17% of rural Pennsylvanians were employed in manufacturing compared to 13% of urban Pennsylvanians (Figures 6 and 7). The combination of a higher employment share in manufacturing and a higher relative wage in manufacturing means that manufacturing accounts for 21% of total wages for rural Pennsylvanians today versus 17% in urban Pennsylvania (Figures A5–A6). Also, a more important source of employment in rural Pennsylvania than urban is agriculture-mining-utilities-construction.

Education, health, and public administration; trade (retail and wholesale); transportation; hospitality and account for similar shares of

5. The same conclusion is reached by Christofides et al., *Examining the Rural-Urban Income Gap*, p. 10.

6. For a more extended discussion of what drives the rural-urban income gap in Pennsylvania, see Christofides et al., *Examining the Rural-Urban Income Gap*.

employment in both rural and urban Pennsylvania, six out of 10 jobs in all. This makes intuitive sense because most of these industries are “non-exportable,” and must locate near their customers, whether those seeking a health checkup or those buying groceries. Thus these industries tend not to be highly geographically concentrated and account for a similar share of jobs in all locations.

The one broad part of the service sector which accounts for fewer jobs in rural than urban Pennsylvania is the more “tradable” and higher wage part of services: professional, financial, and information services. These services account for 20% of jobs in urban Pennsylvania but only 13% in rural.

Average Wages in Rural PA Fall but Then Recover in Recent Years

Measured by wages and income, living standards in rural Pennsylvania trail those in urban Pennsylvania, and by more than they did in the 1970s. We start our analysis of living standards by examining county-level measures of average wage per job, available for every county since at least 1980.

In inflation-adjusted terms, wages in both rural and urban Pennsylvania increased in the 1970s (Figure 8). Wages then fell sharply from 1978–82, especially in rural Pennsylvania. Wages continued to stagnate in rural Pennsylvania until the mid-1990s, while they grew steadily, with occasional pauses, in urban Pennsylvania.⁷

In relative terms, average wage per job shows a decline in rural Pennsylvania relative to urban Pennsylvania from 87% in the 1977–79 period to 73% in 1999–2004 (Figure A7). This relative decline began in the 1980s, slowed slightly in the 1990s, and has essentially stopped in the past six years.

Per Capita Income Falls in Rural PA Relative to Urban Until Last Few Years

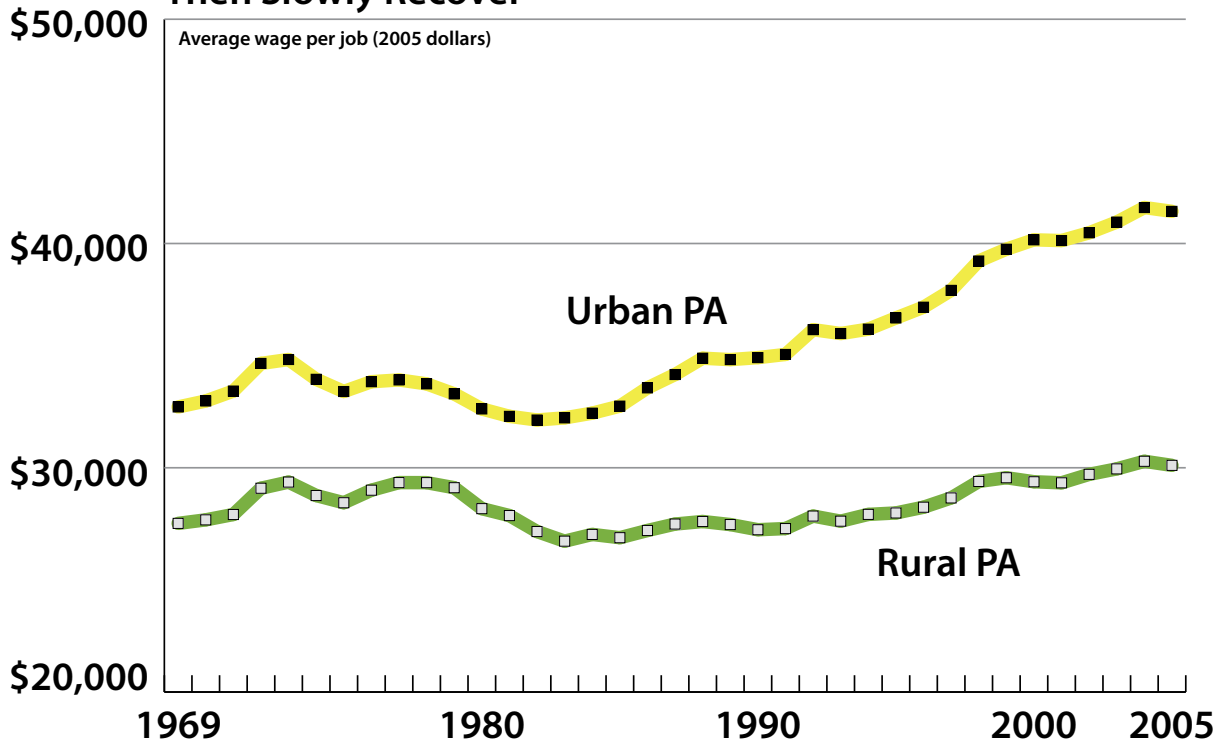
We now turn to per capita income, the largest single portion of which is derived from wage income. Figure 9 shows that per capita income in rural Pennsylvania climbed to only 18% below that in urban Pennsylvania by the end of the 1970s. Rural per capita income then fell to 25% below by 1990. After a brief recovery, rural per capita income then fell more slowly relative to urban in the second half of the 1990s.⁸ Rural per capita income has been stable relative to urban since 2000.

In inflation-adjusted terms, per capita income in rural areas is now 40% *higher* than it was in 1979 and 86% higher than in 1969 (Figure 10). The rise in per capita income despite little wage growth points to increases in the non-wage portions of income as well as to an increase in the number of workers relative to the population.

⁷ Note that the choice of deflator here matters a lot to whether or not rural “real” or “inflation-adjusted” wages appear to have gone up at all since 1969. For the 1979–2005 period we use the CPI-U-RS, which shows slower inflation since 1978, and this indicates higher inflation-adjusted wages in 2005 than 1978. If we had used the CPI-U, wages in 1979 would appear 7.9% higher and wages in 2005 would be lower than in 1979. Thus, our choice of price index is the “conservative” choice in the sense that it minimizes the extent of wage stagnation over time.

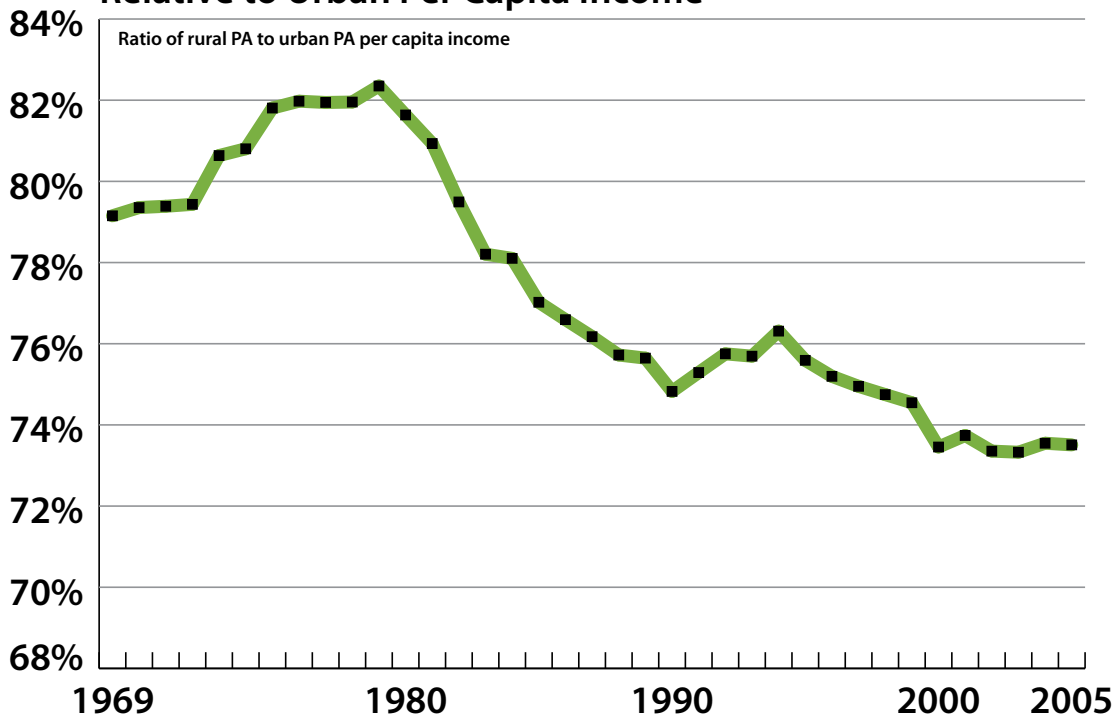
⁸ Similarly, using the Center for Rural Pennsylvania’s 1990 definition of rural and urban, a recent report found that per capita income of urban Pennsylvania was 19% above that of rural Pennsylvania in 1969 and 25% above it in 2001. According to this definition, a county was considered rural if more than 50% of the population was defined as “rural” by the U.S. Census Bureau. See C.A. Christofides, Pats Neelakatan, and Todd Behr, *Examining the Rural-Urban Income Gap* (Harrisburg, PA: Center for Rural Pennsylvania, November 2006).

Figure 8. Rural Wages Fall in the 1980s, Then Slowly Recover



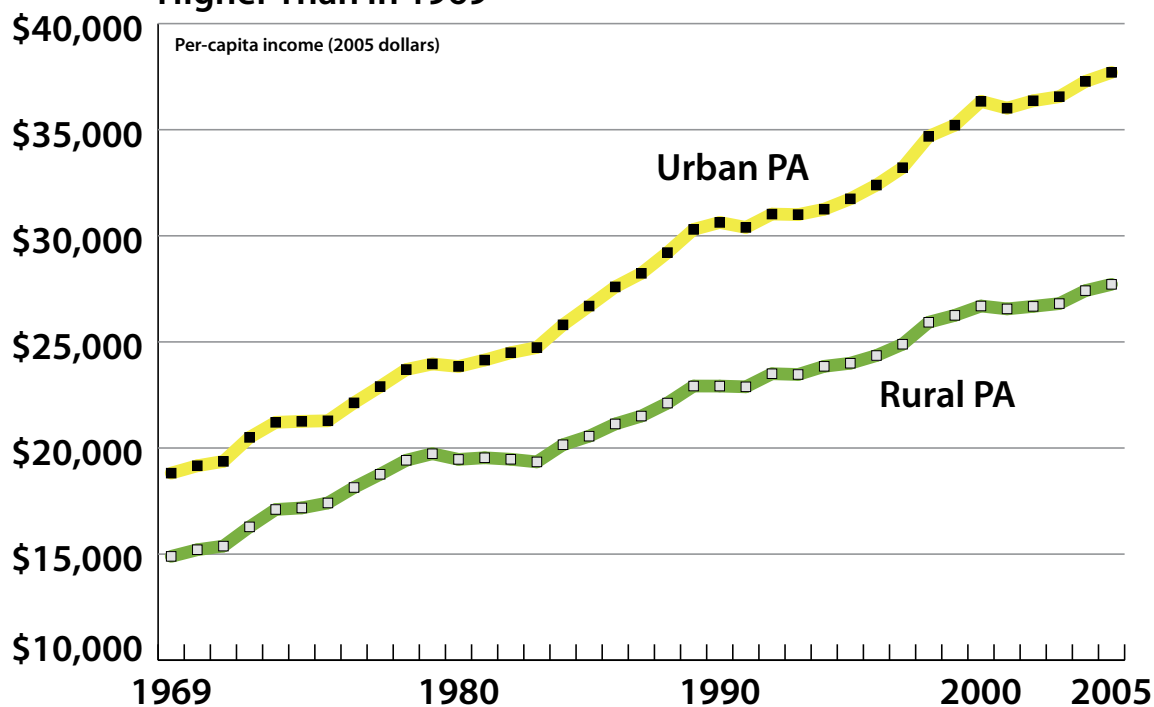
Source: KRC, based on BEA data

Figure 9. Since 1979 Rural Per Capita Income Has Declined Relative to Urban Per Capita Income



Source: KRC, based on BEA data

Figure 10. Per Capita Income in Rural Pennsylvania Is 86% Higher Than in 1969



Note. Inflation adjustment based upon the research series for the consumer price index for all urban consumers (CPI-U-RS).

Source. KRC, based on BEA

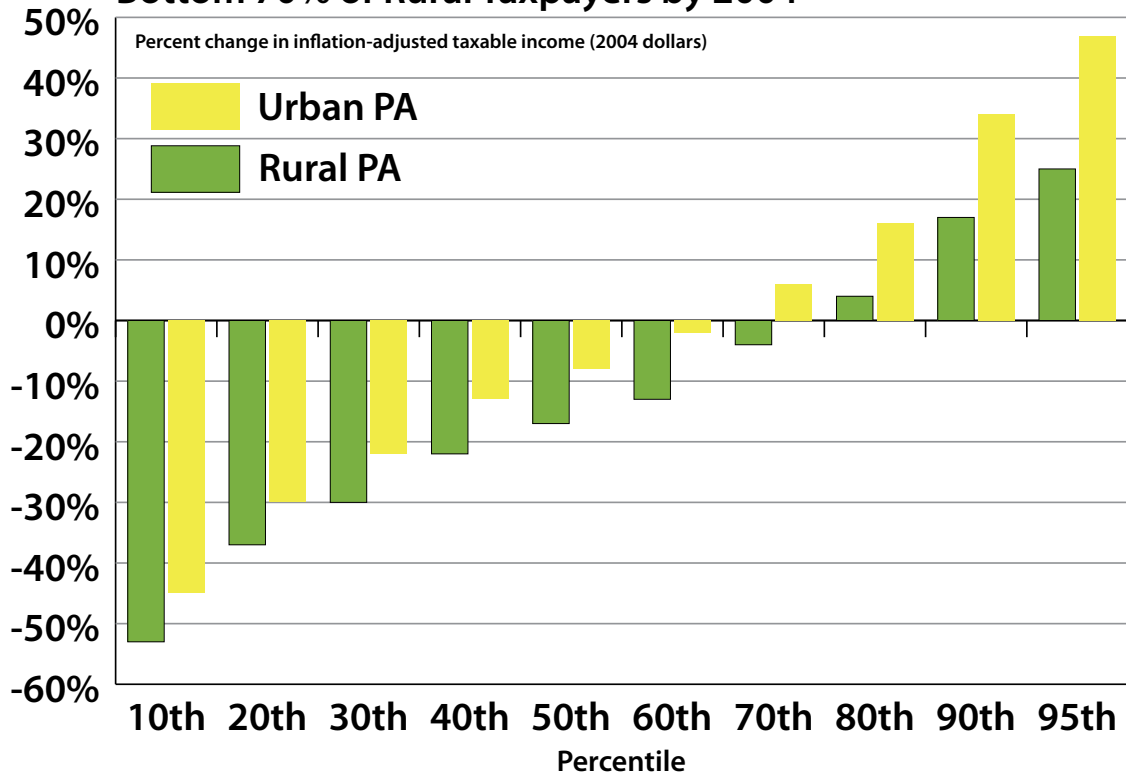
Rural Income Loses Ground to Urban at Every Income Level in 1979-1995 but Then Recovers Except at the Top

Having looked above at variables that measure average wages and average income (i.e., income per capita), we now examine economic progress in different parts of the income distribution. To do this, we rely on estimates of the distribution of taxable income constructed by Keystone Research Center from Pennsylvania Department of Revenue (DOR) data for 1979–2004. The unit of analysis when considering taxable income is the “taxpayer,” in some cases a family, in other cases a single-person household or a student who works part-time, part-year. When taxpayer unit size declines over time, and when the number of young people in college grows over time, this can lead to a decline in taxable income, especially at the lower ends of the distribution.

Figure 11 shows changes in taxable income over the entire period 1979–2004. Over this period, income in rural Pennsylvania declined more (or increased less) in rural Pennsylvania relative to urban Pennsylvania at every point in the distribution. Over the entire period, the amount by which rural Pennsylvania trails urban increased by 8 to 12 percentage points (Table A4). The increase was greatest at the top end of the distribution and also at the very bottom end.

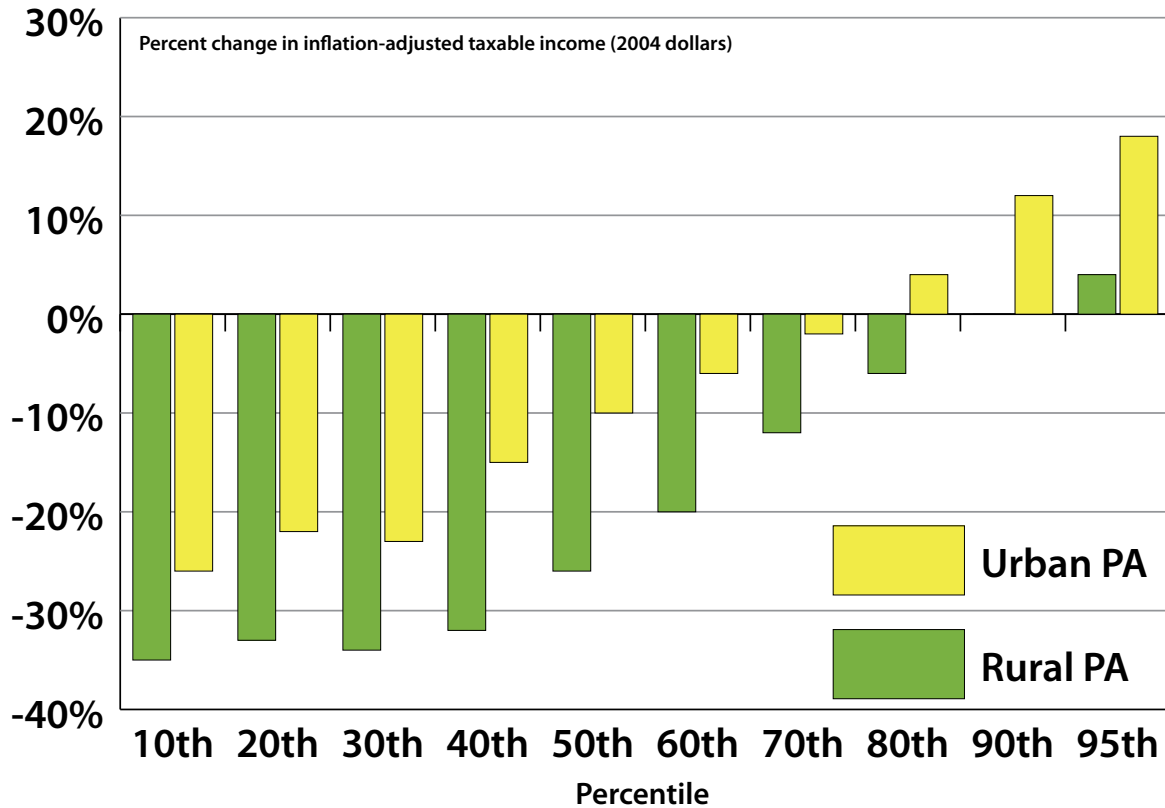
Dividing the period 1979–2004 into two parts, rural Pennsylvania lost substantial ground throughout the income distribution from 1979–1989 (Figure 12). Over the last decade (1995 to 2004), income has grown slightly more in

Figure 11. Compared to 1979, Income Declined for the Bottom 70% of Rural Taxpayers by 2004



Source: KRC, based on Pennsylvania Department of Revenue (DOR) data

Figure 12. Between 1979 and 1989, Rural Incomes Declined Relative to Urban Incomes

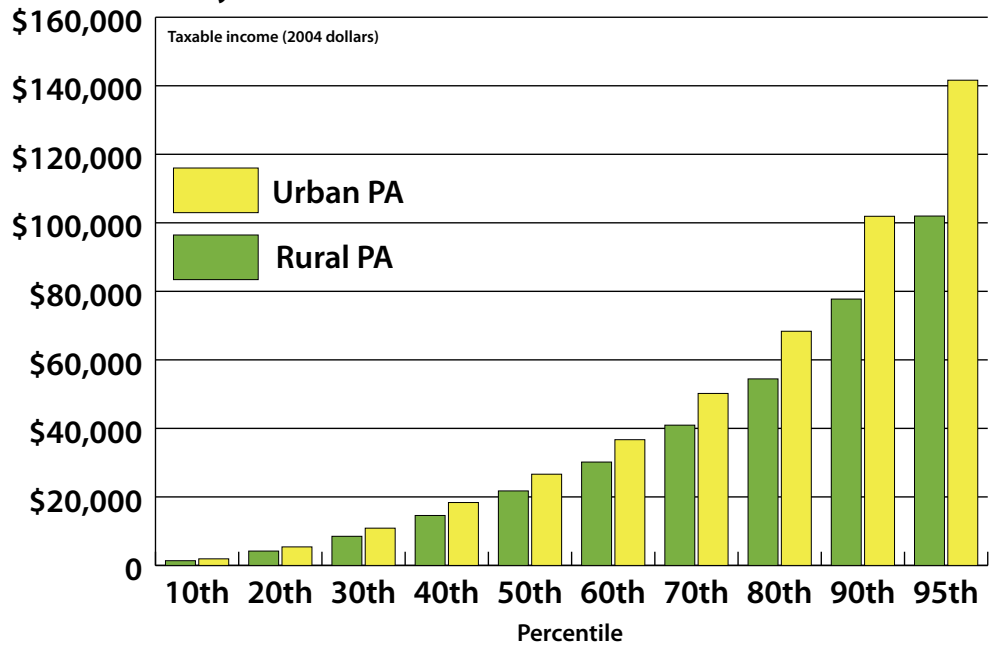


Source: KRC, based on Pennsylvania DOR data

rural Pennsylvania, except in the top 10% of the distribution (Figure 12). (This most recent decade witnessed substantial gains for rural PA from 1995-2000 (Figure A9) and a period of some relative decline since 2000 (Figure A10).

Figure 13 shows actual income levels, in dollars, in rural and urban Pennsylvania in 2004. At the top end of the distribution, the 95th percentile (i.e., taxpayers with incomes higher than 95% of taxpayers and less than the other 5%), urban income exceeds rural by \$40,000. In rural Pennsylvania, all but 10% of the population have taxable incomes less than \$80,000. This suggests that only a few rural Pennsylvanians have incomes that put them in an economic and social world separate from that of the broad rural middle class.

Figure 13. Rural Incomes are Lower Than Urban Incomes at Every Income Level



Source: KRC, based on Pennsylvania DOR data

More Rural Than Urban Working Families With Children Are Low-Income

Another way to compare rural and urban Pennsylvania is to consider how many working families with children earn above and below the level necessary to support a family.⁹

To qualify as low-income, the family must have a family income that is less than 200% of the federal poverty line (FPL). (Family income includes cash sources in addition to wages such as interest and dividend income, Supplemental Security Income (SSI), direct public assistance, and child support. In 2006, the FPL for a family of four was \$20,000 so that 200% of this level was \$40,000.)

Today, Pennsylvania is home to nearly a third of a million low-income working families. A total of 1.37 million Pennsylvanians live in these low-income families, including almost 695,000 children.

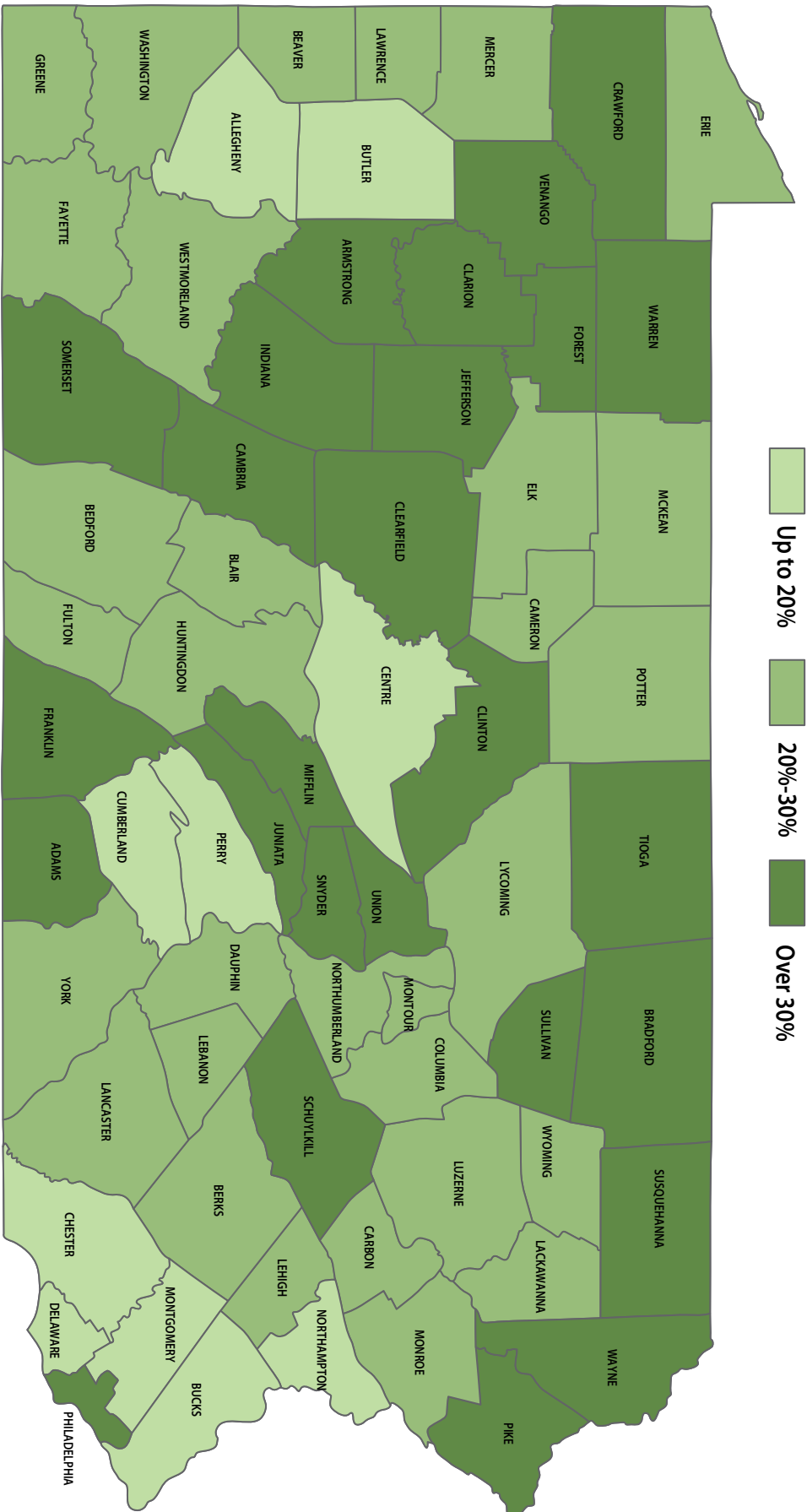
Overall the share of working families who are low-income is substantially higher in rural regions—29% versus 22% in urban Pennsylvania.¹⁰

⁹ As defined here, a family with children is a married couple or a single parent with at least one child under 18; to qualify as working, all family members (persons related by blood, marriage, or adoption) over age 15 must have worked a total of 39 or more weeks in the past 12 months, or 26 or more weeks with one unemployed parent looking for full-time work in the past four weeks.

¹⁰ This Keystone Research Center analysis for Marianne Bellesorte and Stephen Herzenberg, *Investing in Pennsylvania Families: Economic Opportunity for All* (Swarthmore, PA: PathwaysPA, 2007). The definition of rural used in *Investing in Pennsylvania Families* was slightly different than that used by the Center for Rural Pennsylvania, and hence the share of low-income families with children in rural Pennsylvania was 1 percentage point lower, 28%.

Map 2. The Share of Working Families That Are Low Income Is Highest in Philadelphia and in Rural Counties, 2005

Share of working families with incomes below 200% of the poverty line, by county



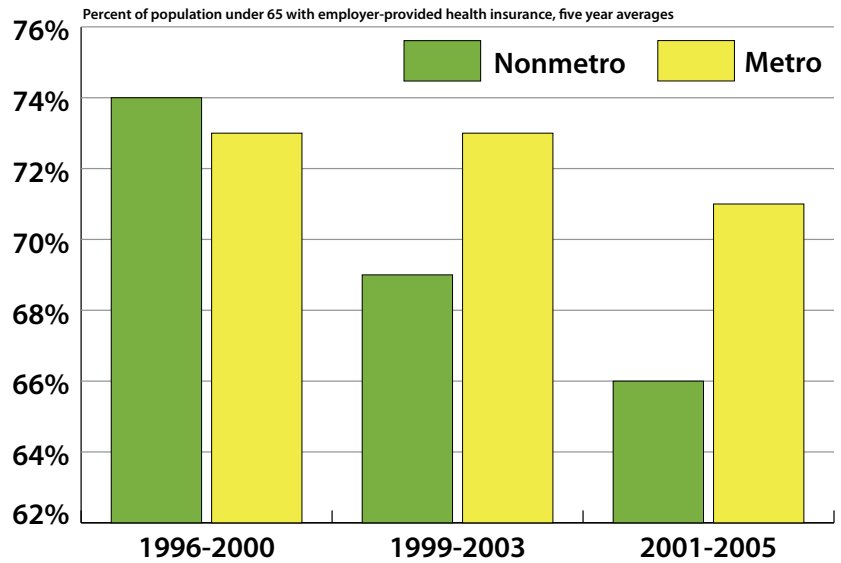
Source: KRC, based on the ACS

Breaking down rural and urban Pennsylvania into county or multicounty regions, the share of rural working families that are low-income is highest in Philadelphia but otherwise highest in rural areas.

Erosion of Health Benefit Coverage Greater in Nonmetropolitan Pennsylvania

The erosion of employer-provided health insurance and the rise in the number of Pennsylvanians without health insurance have been widely discussed in recent years. Figures 14 and 15 show that health-benefit coverage has eroded especially in nonmetropolitan Pennsylvania. (We rely here on “nonmetropolitan Pennsylvania” because it can be identified by our data source for health-benefit coverage, while rural Pennsylvania cannot.)

Figure 14. Employer-Provided Health Coverage Falls Most in Nonmetropolitan PA

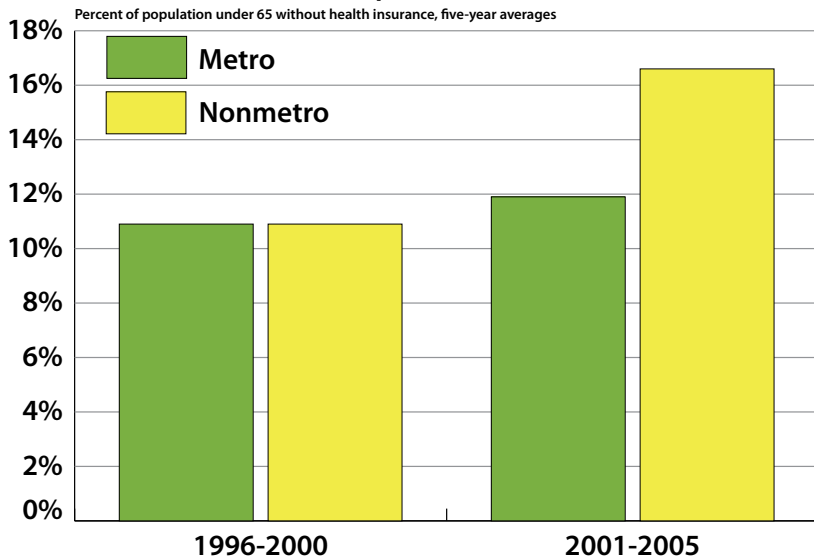


Source: KRC, based on the March Current Population Survey (CPS) 1997-2006

Figure 14 shows that the share of the nonmetropolitan population under 65 with employer-provided health

insurance has plunged roughly 8 percentage points since the second half of the 1990s. Figure 15 shows that, as this has happened, the share of the population without any health insurance has risen 52% in nonmetropolitan Pennsylvania, to about one in every six residents of the region.¹¹

Figure 15. Share of Population Without Health Insurance Rises Most in Nonmetropolitan PA



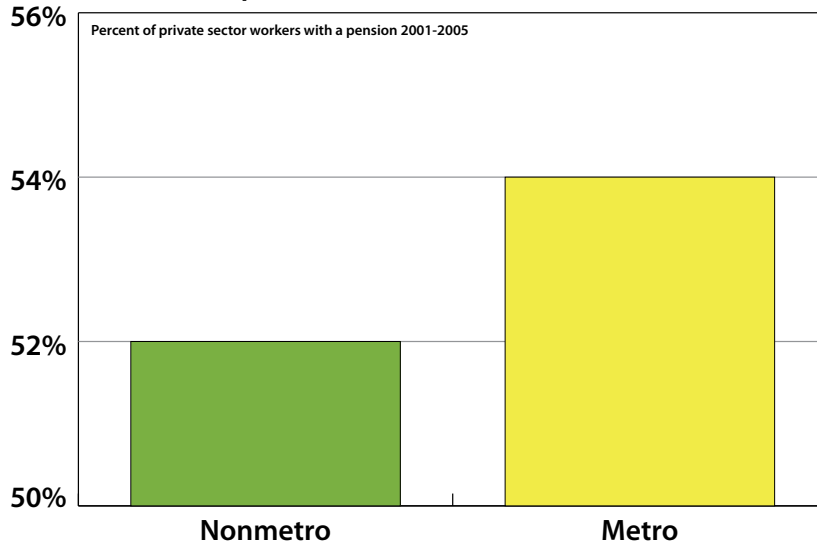
Source: KRC, based on the March CPS 1997-2006

Pension Coverage Also Slightly Lower in Nonmetropolitan Pennsylvania

When it comes to pensions, nonmetropolitan Pennsylvanians also have lower coverage than metropolitan, although the difference is small. While year-to-year figures fluctuate, in all but two of the past 16 years, a lower share of

¹¹ A survey conducted for the Pennsylvania Office of Health Care Reform (OHCR) in 2004 also reveals that the share of Pennsylvanians without health insurance is higher in nonmetropolitan and rural Pennsylvania than in metropolitan and urban Pennsylvania, although the gap is smaller (10% uninsured in rural Pennsylvania vs. 8% in urban). Throughout the state, the OHCR survey finds an uninsured rate lower than that based on the CPS. For an explanation of why surveys conducted for states lead to lower estimates than the CPS of the share of the population without insurance, see Kathleen Thiede Call, Michael Davern, and Lynn A. Blewett, “Estimates Of Health Insurance Coverage: Comparing State Surveys With The Current Population Survey,” *Health Affairs*, 26(1):269-278, January/February 2007.

Figure 16. Share of Workers with a Pension Slightly Lower in Nonmetropolitan PA



Note. Sample is limited to private sector workers 18-64 employed at least 26 weeks and at least 20 hours a week.
Source. KRC, based on March CPS

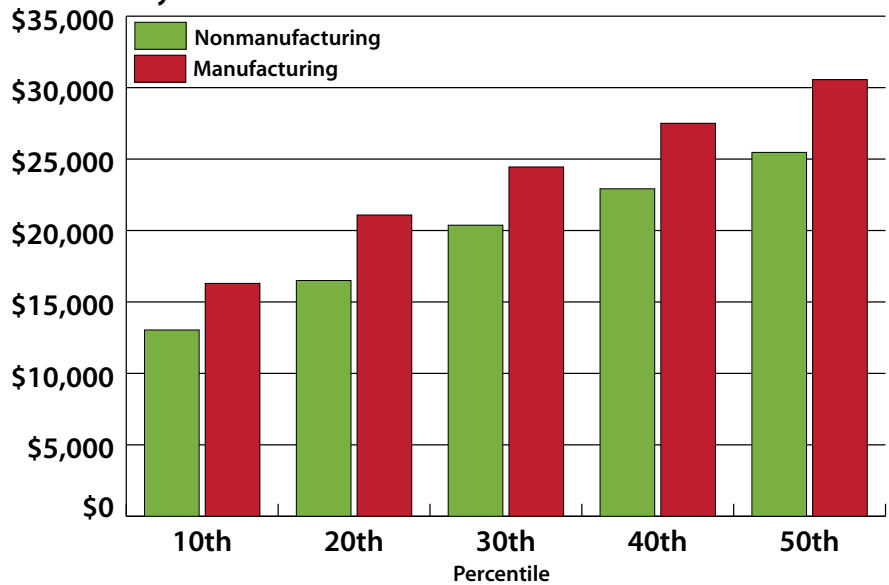
nonmetropolitan Pennsylvania workers in the private sector have a pension than do metropolitan Pennsylvania workers. In the last five years for which we have data, Figure 16 shows that the share of nonmetropolitan workers with a pension trailed the share of metropolitan by 2 percentage points.

Loss of Manufacturing Jobs Especially Hurts Less Educated Rural Workers

The loss of manufacturing jobs has had its greatest impact on workers without a college education. For them a layoff not only carries with it the immediate short-term loss of income and employment. It may also lead to large, long-term

costs because of the inability to acquire a new job that pays anywhere near as well. This is especially true for manufacturing workers in small rural communities, who lack good-paying opportunities in other industry sectors.

Figure 17. Even for Lower-Paid Workers Manufacturing Pays Better Than Services



Note. Sample is limited to workers employed at least 40 weeks and at least 35 hours a week with a high school degree or less.
Source. KRC, based on 2005 ACS

Figure 17 shows just how much more manufacturing pays middle- and low-wage workers in rural Pennsylvania than other industries.¹² Focusing on workers with only a high school degree or less (recall that this is more than half of

¹² These figures are for workers employed at least 40 weeks a year, 35 or more hours a week, with a high school degree or less.

adult workers in rural Pennsylvania), in rural Pennsylvania, manufacturing pays between 20 and 28% higher than jobs in other sectors.

An Economic Agenda for Rural Pennsylvania

The data presented in this report underscore the pressing need for new economic policies that would restore more robust prosperity to rural Pennsylvania. Even more than other parts of the state, rural Pennsylvania has struggled economically in the absence of a comprehensive state or federal policy response to economic globalization and the decline in manufacturing jobs. At the same time, the economy of rural Pennsylvania has stabilized since the 1980s, providing an opportunity for policymakers and rural civic leaders to gather themselves for a full-scale effort to restore long-term growth and opportunity.

What action steps should an agenda to renew rural Pennsylvania include?

1. Develop a Business Plan for Rural Pennsylvania and the Key Leadership at the State and Regional Level to Implement It

Rural experts in Pennsylvania perceive that no sufficiently visible and powerful state-level leadership exists with the authority to promote economic development in the state's less populated areas. One expert said, "Who's the Mark Warner of Pennsylvania?", a reference to the former Virginia governor who came into office committed to helping rural Virginia develop new sources of economic advantage.

To provide the missing focus and visibility, the Rendell Administration should establish a new multi-agency rural task force of its Economic Cabinet with representation from the Departments of Agriculture, Conservation and Natural Resources, Community and Economic Development, Education, and Labor and Industry. This rural task force could be built up from the existing Pennsylvania Rural Development Council. It would need a larger staff and a recognized rural leader or expert with the "weight" to give economic progress in rural Pennsylvania more visibility. The task force should also be able to call on the expertise of the Center for Rural Pennsylvania and its networks.

The new task force should oversee, in consultation with the private sector, the development of a Business Plan for Rural Pennsylvania that aims to define how the region can achieve economic growth that improves living standards for the rural middle class. Another function of the task force should be to ensure that rural realities are routinely evaluated when considering any new program. In the United Kingdom, new initiatives go through a process called "rural proofing" which evaluates the feasibility of implementation in rural areas and the impact of new programs. (Rural proofing in the case of state's proposed new prekindergarten program, for example, might have led to the recommendation below about the need for a different delivery model in rural areas.)

As well as a broad range of policy areas, the task force and the business plan should address the need for adequately funded economic development entities that can oversee comprehensive economic planning and implementation at the regional level within rural Pennsylvania. At present, a variety of regional rural economic development organizations exist, most prominently the Local Development Districts that exist throughout Appalachian Pennsylvania (most of rural Pennsylvania is in Appalachia). Individual economic development programs also, in some cases, have staff and delivery systems in rural regions (e.g., the Pennsylvania Wilds program referred to below). What does not exist in most places yet, however, are entities that are seen as *the* place where overall regional economic strategies should be developed, and with the resources or clout to ensure implementation activity throughout the region fits with an integrated strategy.

Building up from more localized economic developed structures, some rural (or partly rural) regions have already begun to form the needed regional entities on their own. For example, recently in Central Pennsylvania four counties and five Industrial Development Corporations have worked together on a charter that promotes collaboration with the ultimate goal of having a single Industrial Development Corporation. In Northeast Pennsylvania, a seven-county alliance has promoted more encompassing regional approaches.

In any state or regional economic development entity, it is critical that low-income workers have a voice strong enough to ensure close attention to whether prosperity will result for rural Pennsylvanians in general.¹³

2. Become a National Model in Rural Education and Skill Development for the 21st Century

Education and skill development are critical to economic growth and economic opportunity in today's economy. While rural Pennsylvania lags in educational attainment, the Commonwealth has begun to implement cutting edge early childhood education and workforce policies.¹⁴ Pennsylvania now has an opportunity to build on these initiatives and leapfrog other states by tailoring new educational investments to today's families and today's economy.

Invest in a statewide community and four-year college infrastructure that makes postsecondary education accessible and affordable throughout rural Pennsylvania. Success for individual workers and for businesses in today's economy requires accessible, affordable postsecondary education. Yet, as we have seen, rural Pennsylvania suffers a large education gap with many adults, including young adults, having no more than a high-school education. This gap persists, in part, because of the uneven geographic coverage of Pennsylvania's community colleges. When mid-career high school graduates look for somewhere to continue their education, or when businesses seek low-cost training for their workers, they often have no place to go. Indeed, large parts of rural Pennsylvania have virtually no access to a community college. In conjunction with this lack of geographic coverage, Pennsylvania radically underinvests in community colleges compared to other states, spending less than 40% of the national average on a per capita basis.¹⁵

A statewide community college system could be established through a substantial increase in state funds and a reduction in local funding requirements below the one-third of the total that local areas were historically supposed to provide. (Today, local sponsors often fall short of meeting this one-third obligation.) A reduction in the required local match would make it easier to raise matching funds in unserved areas and would allow for a property tax cut or reallocation of local funds to other schooling in areas that have a community college. Sufficient local funding should remain to retain local ownership and commitment to local needs.

Planning for the creation of a truly statewide system of community colleges (or their equivalent) should draw on the efforts and expertise of Pennsylvania's Community Education Councils www.pdehighered.state.pa.us/higher/cwp/view.asp?a=3&Q=98633&higherNav=%7C At present, in many rural areas without community colleges, the

¹³ Classic rural studies (e.g., Cynthia Mill Duncan's *Worlds Apart* and John Gaventa's *Power and Powerlessness*) have documented that some rural power structures entrench backward economic development approaches that lead to persistent poverty. While Pennsylvania's rural regions are much less impoverished than the most impoverished parts of Kentucky or the Mississippi Delta, the need remains for local planning and economic development structures to include the voices of lower-income working families.

¹⁴ For a summary of Pennsylvania's workforce initiatives, see Stephen Herzenberg and Sharon Ward, *The Prescription for Prosperity: An Economic Agenda for Working Families*—Background Paper Section 1A (Harrisburg, PA: Keystone Research Center, 2007), accessible at www.keystoneresearch.org/agenda

¹⁵ For more on the need to strengthen the state's community college infrastructure, see Marianne Bellesorte and Stephen Herzenberg, *Investing in Pennsylvania's Families: Economic Opportunity for All* (Swarthmore, PA: PathwaysPA, January 2007), online at www.keystoneresearch.org.

councils oversee the provision of host of training and education services to rural residents

In conjunction with needing a truly statewide community college infrastructure, rural Pennsylvanians would benefit from an expansion of postsecondary financial support for part-time working adults.¹⁶

Continue to invest in an industry-linked workforce development approach. Over the past several years, Pennsylvania has become a national leader in connecting employment and training programs with the skill needs of regional industry clusters, in part through state investment in about 90 “Industry Partnerships” (IPs)—consortia of businesses and sometimes unions that assess the workforce needs of the participating businesses and then oversee the design and delivery of training and other services to meet those needs.

IPs can be critical vehicles for promoting economic growth and improving jobs. On the economic growth side, IPs benefit business by identifying common skill gaps, giving the grouped-together employers the market leverage to get educators and trainers to customize their curricula and to achieve economies that cut the cost of training. Beyond these most straightforward benefits, IPs can also help managers learn from their peers about everything from how to improve operational efficiency to emerging market and technology trends. Networking and peer learning can be especially important for managers in small rural areas. If managers are isolated and lack informal channels that provide early information about industry trends, this can threaten competitiveness.

When IPs boost growth, they expand job opportunities. IPs can also improve jobs by promoting the spread of good human resource practices across companies. To a surprising degree, job quality (wage, benefits, access to training and tuition reimbursement, career advancement opportunities, etc.) varies substantially *within* industries. Research documents this intra-industry variation in long-term care, health care, construction, retail, manufacturing, logistics and transportation—in virtually every industry. As a consequence of this variation, helping more companies to adopt the human resource approaches used by the companies with the best jobs, one industry or IP at a time, can contribute substantially to improving economic opportunity. Methodically capitalizing on this angle to improve jobs can help rural Pennsylvania create more middle-class jobs as manufacturing employment shrinks and higher-wage financial and professional services remain concentrated in urban areas.

Several aspects of the Industry Partnership approach make it work especially well in rural Pennsylvania. First, the regional and sectoral boundaries of Industry Partnerships, and the determination of the training needs that partnerships address, are shaped in a bottom-up way that respects the interest of the employers that drive these partnerships. This means that partnerships adapt naturally and organically in response to rural realities. Second, Industry Partnerships can be especially valuable to small employers, which are predominant in rural Pennsylvania. Third, the peer learning and mentoring within partnerships has great potential for boosting entrepreneurship in rural areas and also for helping rural small businesses deal with succession planning so that businesses do not die when aging owners retire. To exploit the potential synergy between Industry Partnerships and promoting entrepreneurship, the state could establish a new IP competitive grant program for entrepreneurship initiatives undertaken by rural IPs in specific clusters.

In addition to investing in postsecondary education and in an industry-driven training and learning infrastructure, rural areas also need to shore up the educational foundation upon which college and skills development build. They can do this in two ways:

Raise state K–12 funding so that all schools have funds adequate for a quality education. In K–12 schooling, lower-income areas, including in rural regions, bear the brunt of inadequate state investment

¹⁶ For more on this, see Marianne Bellesorte and Stephen Herzenberg, *Investing in Pennsylvania's Families: Economic Opportunity for All* (Swarthmore, PA: PathwaysPA, January 2007), online at www.keystoneresearch.org.

in school funding. Because of this low investment, school funding depends heavily on local income and wealth, with the result that high-income suburban districts invest as much as three times as much money per child as low-income areas do. To remedy this situation, once a “costing out” study requested by the legislature to estimate the amount of money adequate for a quality education is completed, the state should increase state funding to meet this adequacy level in all rural and city schools.

Deliver increased prekindergarten investment through flexible rural delivery. Pennsylvania is currently considering proposals for additional investment in prekindergarten education. Any increase in such investment must be sensitive to the realities of sparsely populated rural areas and their early childhood education delivery systems. In such areas, prekindergarten and other early childhood education should not just be delivered through schools and child care centers, because some families live too far away from such settings. Additional prekindergarten investment should also include licensed home-based providers that meet high quality standards.

Invest in economic development strategies that capitalize on the existing strengths of rural areas and create good jobs. Traditional economic development practice has centered on industrial recruitment and retention— attracting individual companies, usually in manufacturing, with tax breaks and direct subsidies. Today, in a global economy in which low-wage countries can easily outcompete Pennsylvania based on cost, successful regions can no longer rely simply on recruitment. Instead, state-of-the-art economic development practice begins with comprehensive analysis of regional “assets,” such as natural beauty, workforce and education institutions, transportation and other infrastructure, and cultural assets. The Appalachian Regional Commission provides limited funds for regional asset development through the Pennsylvania Department of Community and Economic Development. State programs such as the Main Street and Elm Street programs support asset development within individual communities.

A second dimension of best-practice regional economic development centers focuses on analyzing and building on industrial strengths.¹⁷ In Pennsylvania’s rural regions, industrial strengths include advanced manufacturing in many regions; lumber, wood, and paper; tourism (or “eco-tourism”) that capitalizes on Pennsylvania’s natural beauty; and value-added agriculture (organics, niche food products made with local inputs, etc.).

While capitalizing on existing strengths may seem like simple common sense, it is in fact a strategic approach that requires understanding what those strengths are and systematically analyzing how to build on them. Taking this approach represents a departure from past practices of offering subsidies to individual businesses or for isolated community projects without reference to an overall strategy.

To help rural areas begin to adopt more advanced economic development strategies, the Commonwealth should **fund the development and implementation of comprehensive economic strategies for each rural region.** To kick-start this effort, the state could provide competitive grants to support comprehensive regional economic and workforce strategies, an approach similar to the federal Workforce Innovation in Regional Economic Development (WIRED) program.¹⁸ (Federal resources to finance comprehensive regional strategies in rural areas might be found if the proposed \$100 million Rural Strategic Investment Program becomes part of the final 2007 Farm Bill.¹⁹)

¹⁷ For a fuller discussion of next generation state economic development strategy, see Stephen Herzenberg, Suzanne Teegarden, and Howard Wial, *Creating Regional Advantage in Appalachia: Towards a Strategic Response to Global to Global Economic Restructuring* (Washington, DC: Appalachian Regional Commission, April 2005), report prepared by Keystone Research Center under ARC Contract CO-12884T-01. Online at www.arc.gov and at www.keystoneresearch.org

¹⁸ For more on this, see the discussion of WIRED in Herzenberg and Ward, *The Prescription for Prosperity: An Economic Agenda for Working Families*—Background Paper Section 1B (Harrisburg, PA: Keystone Research Center, 2007), accessible at www.keystoneresearch.org/agenda.

¹⁹ This is one of the Farm Bill recommendations made by the Pennsylvania Rural Development Council. To access the recommendations,

To coordinate investment in regional assets, the state could also explore the creation of “Regional Asset Teams” analogous to “Community Action Teams” (CATs). (CATs were established recently to help integrate the resources of Pennsylvania’s separate community development programs behind comprehensive asset development strategies at the community level.)

A second dimension of a cutting-edge rural economic development strategy should be to **deepen the state’s manufacturing strategy to build on existing industry clusters in rural areas.**²⁰ Since manufacturing is more important economically to rural areas than it is to most of urban Pennsylvania, rural Pennsylvania has a large stake in the state’s building its current support for manufacturing clusters into a comprehensive approach. At this juncture, the state’s manufacturing strategy remains too piecemeal and will not, in most cases, give sufficient strategic support to rural industry clusters to enable them to prosper in the decades ahead. One dimension of strategic support should **invest state dollars in industry collaborations on technology, marketing, and innovation** that enable businesses in regional clusters of firms to feed off each other’s knowledge and vitality. One example of such a collaboration is a new statewide project in the plastics industry. Supported by a \$3.75 million grant from the U.S. Department of Labor, the project seeks to link Regional Centers of Excellence for the plastics industry into a statewide network. As well as training and linkages with schools, the Regional Centers will support collaboration among member firms on Innovation/Entrepreneurship, Technology Transfer, and Research & Development. Some of the resources for additional industry initiatives of this kind might be obtained through opening up the state’s Opportunity Grants to industry partnerships and consortia as well as individual firms.

A third dimension of strategic economic development for rural areas should be to **develop job quality improvement strategies in rural industries with large numbers of low-wage jobs.** Already, the Commonwealth invests substantial resources in industries—such as tourism and agriculture—that are concentrated in rural areas but within which many jobs do not pay well enough to support a family. A starting point for efforts to improve jobs in these segments would be to conduct a baseline analysis of wages, benefits, and competitive dynamics. Following baseline studies, recommendations should be developed, with stakeholder input, for state policies and workforce and economic development investments that would improve job quality. One policy that should be considered, for example, is a requirement that all businesses receiving tourism assistance pay their workers at least a living or “self-sufficiency” wage (e.g., about \$12 per hour in many rural areas). In many cases, tourism demand is insensitive to what frontline service staff are paid, because their compensation is a small fraction of the total cost of a trip. If that is the case, an industry-wide living wage standard could help increase the resources captured by rural areas from out-of-state (or out-of-area) visitors, not only benefiting workers and their families but also increasing consumer demand for other area businesses that serve local consumers.

In some cases, new Industry Centers with expertise on particular industry clusters may be able to help rural businesses compete in ways that produce higher quality jobs. For example, Maine developed a Center for Tourism Research and Outreach as one dimension of its tourism promotion effort (for more on the Maine example, go to www.umaine.edu/centro/).

A fourth step toward more strategic rural economic development strategies would be to *enact* **business subsidy accountability legislation that ensures that businesses receiving state grants, low-interest loans, or tax breaks create decent jobs.** Businesses receiving state support should also disclose basic information on jobs created with public subsidies and should pay money back if jobs are not delivered.²¹

see www.ruralpa.state.pa.us/ruralpa/site/default.asp?ruralpaNav=

²⁰ For more on this, see the discussion of reforming economic development and of a “Manufacturing Future” strategy in Herzenberg and Ward, *The Prescription for Prosperity: An Economic Agenda for Working Families*—Background Paper Section 1B (Harrisburg, PA: Keystone Research Center, 2007), accessible at www.keystoneresearch.org/agenda.

²¹ For more on this, see Marianne Bellesorte and Stephen Herzenberg, *Investing in Pennsylvania’s Families: Economic Opportunity for All*

3. Promote the Long-Term Security of the Rural Middle Class Through More Affordable Access to Health Insurance and Retirement Security

As this report documents, between 21% and 39% more rural Pennsylvanians lack health insurance than do urban Pennsylvanians. In addition, a larger share of rural Pennsylvanians than urban lack any kind of pension. For these reasons, rural Pennsylvanians have a strong interest in state policies that would promote more universal access to affordable health insurance and to some kind of pension.

On the health care front, while reasonable people can differ as to the virtues of different elements of Governor Rendell's proposed *Prescription for Pennsylvania* health care reform, rural legislators should be on the forefront of efforts to craft some health care solution that lowers the number of uninsured and helps rein in health care costs.²² Among other benefits, such a solution would help ensure that rural manufacturers are not disadvantaged in national and global markets.

On the retirement security front, KRC has previously recommended that state government make it easy for employees of private businesses, especially small businesses, to participate in a state-sponsored basic savings plan with limited investment options (such as a stock index fund and a government bond fund). In the absence of this type of option, many small businesses that would like to offer their workers a basic retirement savings option may not do so because of the time and energy necessary to evaluate the available alternatives. A state-established "turnkey" pooled savings fund would lead many additional businesses to save pre-tax dollars (with or without a company match). Workers could also gain access to a low-cost way to convert savings into a guaranteed monthly payment when they retire. A private financial provider could administer the fund, achieving low management costs through economies of scale. The state of Washington has recently passed legislation to begin creating this type of plan under the label Washington Voluntary Accounts.

4. Lower the Rural Share of State Taxes Through More Progressive Taxation

Since rural Pennsylvania has lower incomes than urban Pennsylvania, rural Pennsylvania has a powerful interest in the state's having a progressive tax system—i.e., one in which more affluent taxpayers pay more of their income in state and local taxes than do less affluent taxpayers. The more progressive the tax system, the lower the share of state taxes paid by rural Pennsylvania.

Yet, Pennsylvania has one of the nation's 10 least progressive state and local tax systems, which means that rural Pennsylvanians pay more of their income in taxes than urban (and especially suburban) Pennsylvanians do.²³ While the most affluent 1% of taxpayers pays only 4.8% of their income in taxes (and 3.5% after taking account of the deductibility of state taxes on federal tax forms for those who itemize deductions), the bottom fifth pay 11.4% of their income. A major reason for this imbalance is Pennsylvania's constitutionally mandated flat income tax. Pennsylvania has only a single flat income tax rate and Pennsylvanians are not permitted to lower their taxable income using "personal exemptions" or standard deductions. (In states without a constitutional "uniformity clause," graduated income taxes help make up for the highly regressive nature of two other major tax types—sales and property taxes.)

(Swarthmore, PA: Pathways PA, January 2007), online at www.keystoneresearch.org.

²² The Pennsylvania Rural Development Council notes that its recent forums on the 2007 Farm Bill revealed deep concern about the lack of affordable health care and health insurance. See www.ruralpa.state.pa.us/ruralpa/site/default.asp?ruralpaNav=

²³ Institute for Taxation and Economic Policy (ITEP), *Who Pays?*, (Washington DC, 2002). An update of this report, which will be published in 2007, finds that Pennsylvania still has one of the "terrible 10" least progressive state and local tax systems.

A modest, revenue-neutral reduction in the unfairness of the state income tax—achieved by exempting from the state income tax \$8,000 for each person in a taxpaying unit (family or household) and then raising the income tax rate by approximately 1%—would lower taxes in rural Pennsylvania by over \$100 million dollars. A larger step that eliminates the regressivity of the tax system entirely (so that state and local taxes are an equal or higher share of income at higher income levels) would much more sharply shift income tax revenues from rural to suburban areas. This type of shift could also enable the state to raise additional revenues sufficient to invest in education, job creation, health care, and pension benefits in rural areas, but without raising rural taxes.

Because it would benefit the region so much, rural Pennsylvanians and their elected representatives should be at the forefront of efforts to promote more progressive taxation.

Time for a Pennsylvania Rural Economic Strategy

Some of the recommendations here designed to benefit rural Pennsylvania are similar to recommendations advanced in two other recent documents published by Keystone Research Center and partner organizations. The first is *The Prescription for Pennsylvania: An Economic Agenda for Pennsylvania's Future*, which was signed by over 20 major Pennsylvania antipoverty, labor, faith, minority, and environmental organizations and released at the end of February.²⁴ The second, *Investing in Pennsylvania's Families: Economic Opportunity for All*, contains recommendations aimed at improving the economic situation of low-income working families.²⁵ The overlap between the recommendations here and in these economic agendas for all Pennsylvanians and for low-income working families underscores that, implemented in a decentralized and regionally customized way, many of the same innovative economic policies would serve urban as well as rural Pennsylvanians.

While developed independently, the recommendations above also overlap those in three other recent reports (see Table 1 at the conclusion of the Overview). One of these, commissioned by the Center for Rural Pennsylvania, was based on focus groups with rural leaders. The second is an update of the widely cited 2003 Brookings Institution report, *Back to Prosperity*. The third was a study of the fiscal health of Pennsylvania municipalities published by the Pennsylvania Economy League. (Most of the recommendations in these other reports—beyond the scope of this report, and concerned primarily with land use planning and with enabling municipalities to deliver services and to collect or share revenues on a regional basis—are also complementary with the recommendations here.)

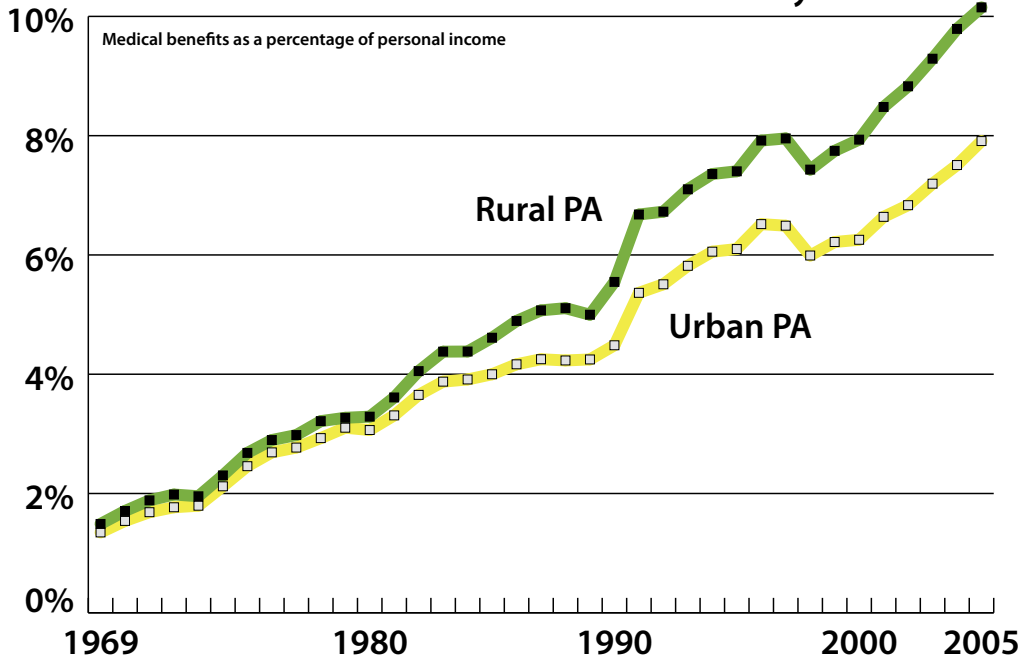
In sum, a great deal of agreement consensus now exists about how to achieve competitiveness and opportunity in rural Pennsylvania. In light of this, the time has come for civic leaders and state policymakers to implement a comprehensive economic strategy for rural Pennsylvania. The discussion of “What Can You Do?” suggests some actions to start the process. Rural Pennsylvania has waited three decades for the leadership necessary to help it cope with, and thrive in, a radically new set of economic conditions. The time for waiting is past. The time for action is now.

²⁴ *The Prescription for Prosperity: An Economic Agenda for Pennsylvania's Future* is online at www.keystoneresearch.org/agenda. Also available there is a background paper that fleshes out the recommendations in *The Prescription for Prosperity* and details how to implement them. See Herzenberg and Ward, *The Prescription for Prosperity: An Economic Agenda for Working Families* (Harrisburg, PA: Keystone Research Center, 2007).

²⁵ Bellesorte and Herzenberg, *Investing in Pennsylvania's Families: Economic Opportunity for All* (Swarthmore, PA: PathwaysPA, January 2007), online at www.keystoneresearch.org.

Appendix

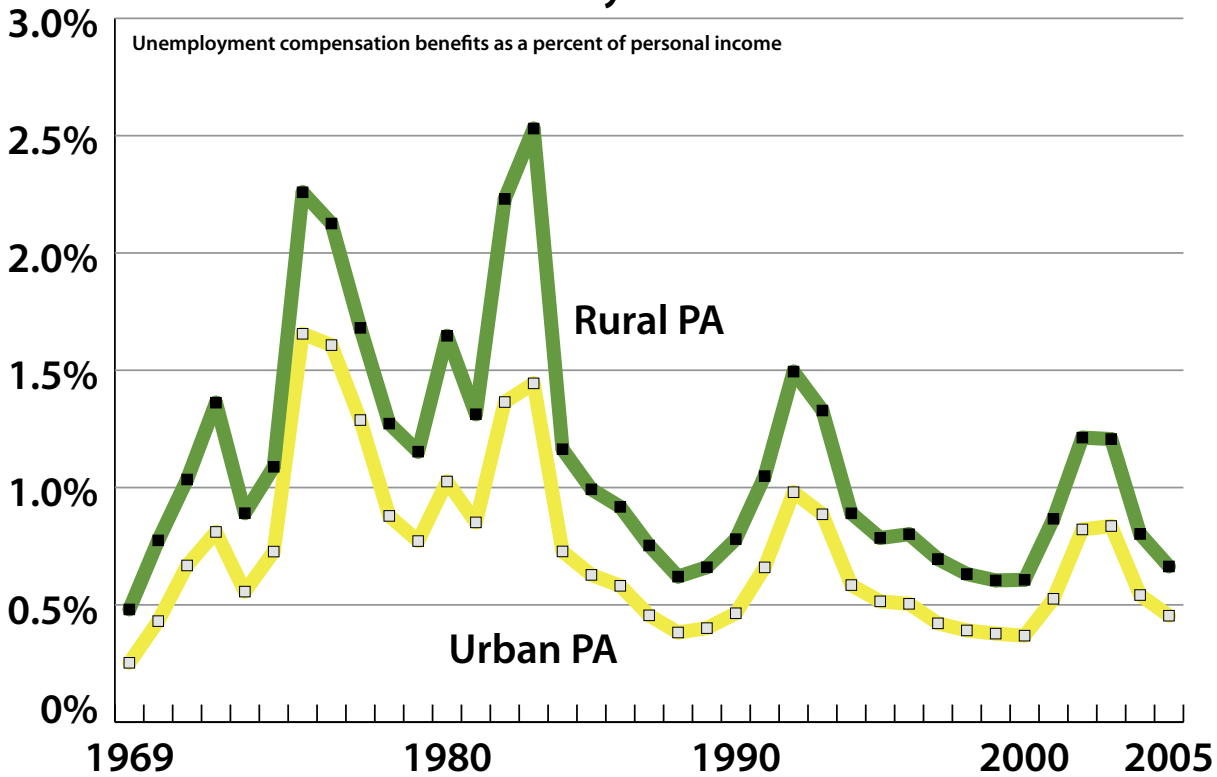
Figure A1. Medical Benefits as a Share of Personal Income Have Grown Faster in Rural Than Urban Pennsylvania



Note. Medical Benefits are a subcategory of transfer payments (payments mainly by government) to individuals for which no services are performed. Medical benefits are composed mainly of Medicare and Medicaid. For the complete definition see <http://bea.gov/bea/regional/definitions/nextpage.cfm?key=Medical%20benefits>

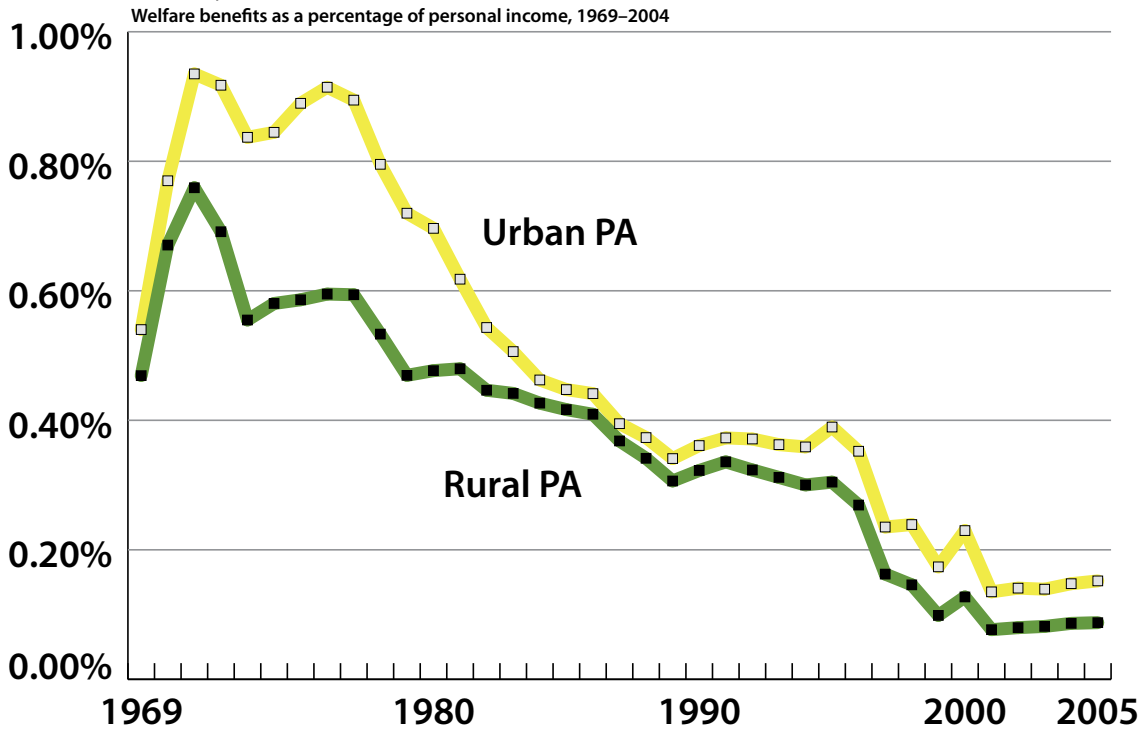
Source. KRC, based on BEA data

Figure A2. Rural Pennsylvania Relies More on Unemployment Benefits Than Urban Pennsylvania



Source. KRC, based on BEA data

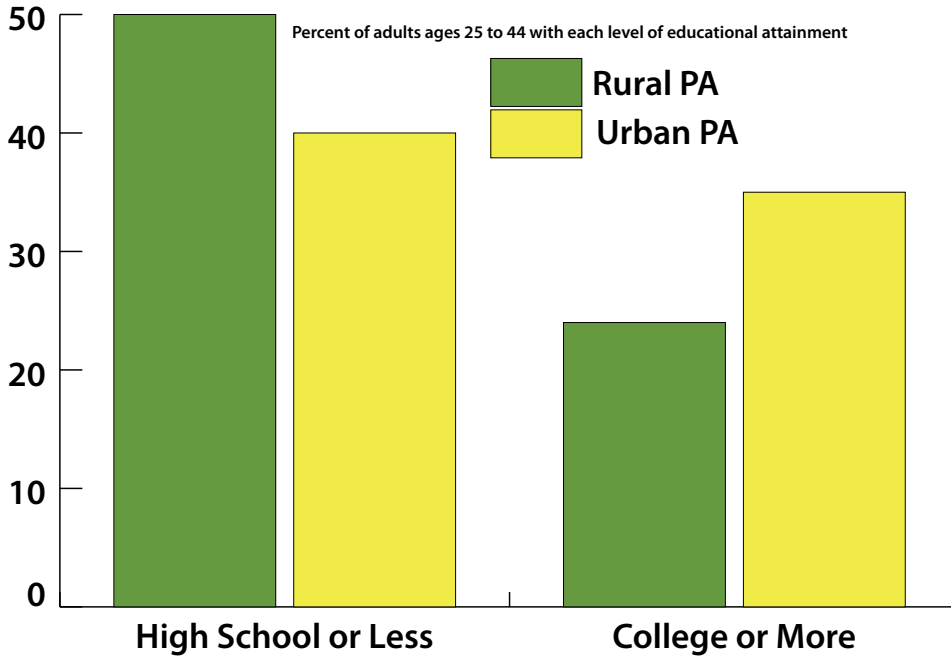
Figure A3. Welfare Benefits Now Less Than One Sixth of a Penny Per Dollar of Personal Income



Note. Family Assistance is defined by the BEA to include payments to individuals under temporary assistance for needy families (TANF) and prior to 1995 emergency assistance and aid to families with dependent children. For more details see <http://www.bea.gov/bea/regional/definitions/nextpage.cfm?key=Family%20assistance>

Source. KRC, based on BEA data

Figure A4. The Rural Education Gap Persists Even Among Young Adults



Source. KRC, based on 2006 ACS

Figure A5. Share of Total Wage Income by Major Industry, Rural Pennsylvania, 2005

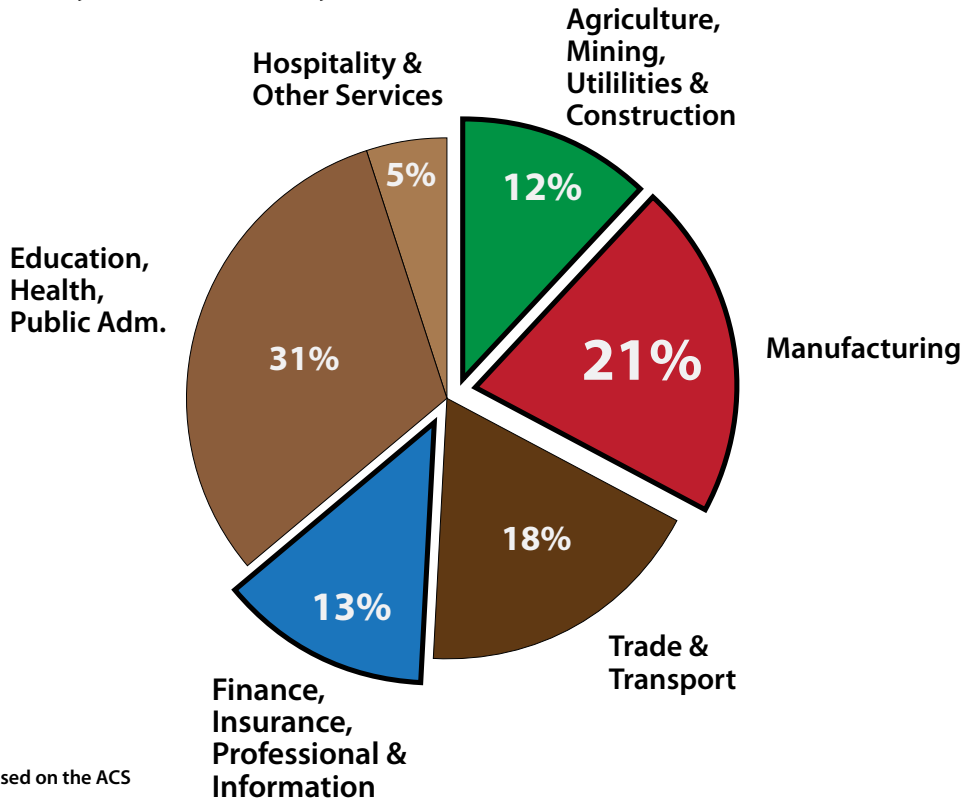


Figure A6. Share of Total Income by Major Industry, Urban Pennsylvania, 2005

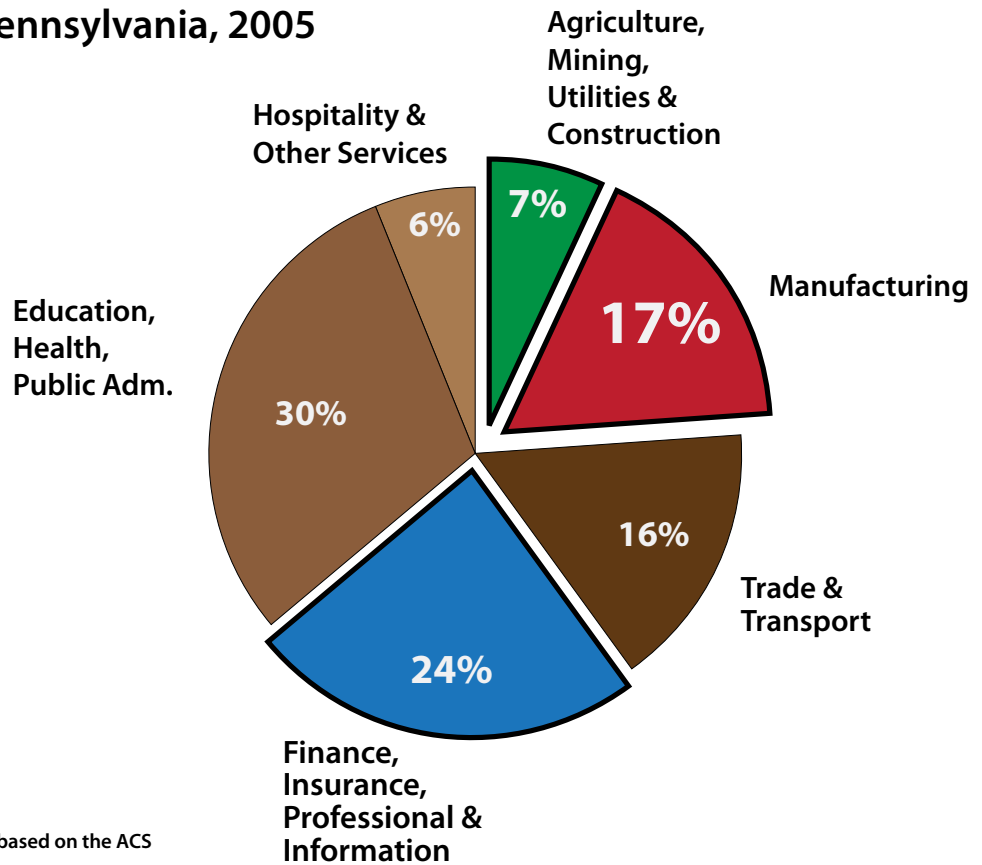
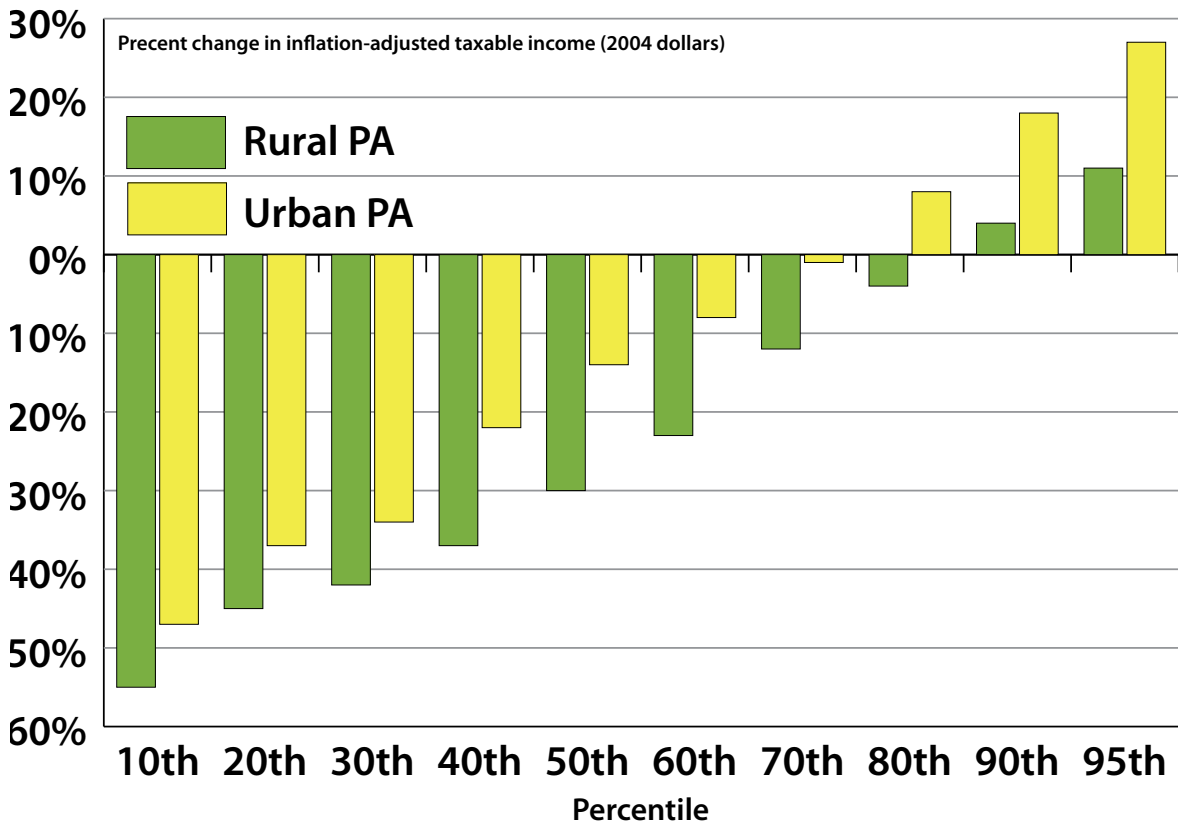


Figure A7. Since 1979, Rural Wages Have Fallen Relative to Urban



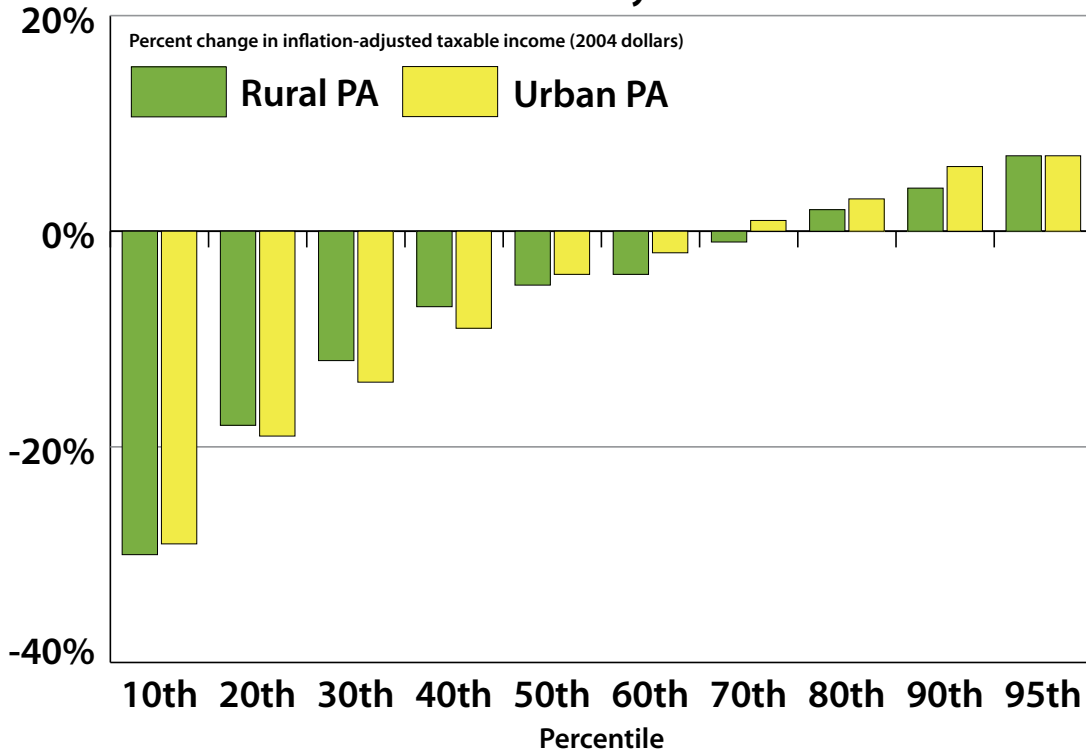
Source: KRC, based on BEA data

Figure A8. Between 1979 and 1995, Rural Income Grows Slower than Urban at Every Income Level



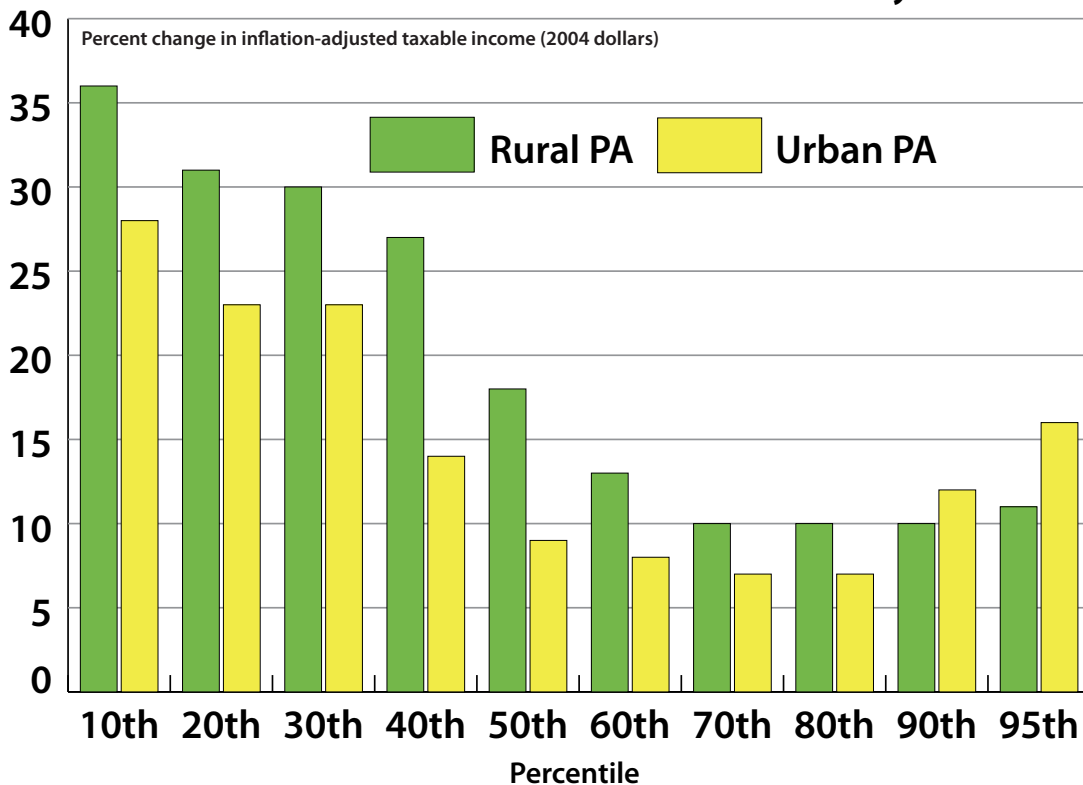
Source: KRC, based on Pennsylvania DOR data

Figure A9. Between 1989 and 1995, Only High Incomes Grow in Urban and Rural Pennsylvania



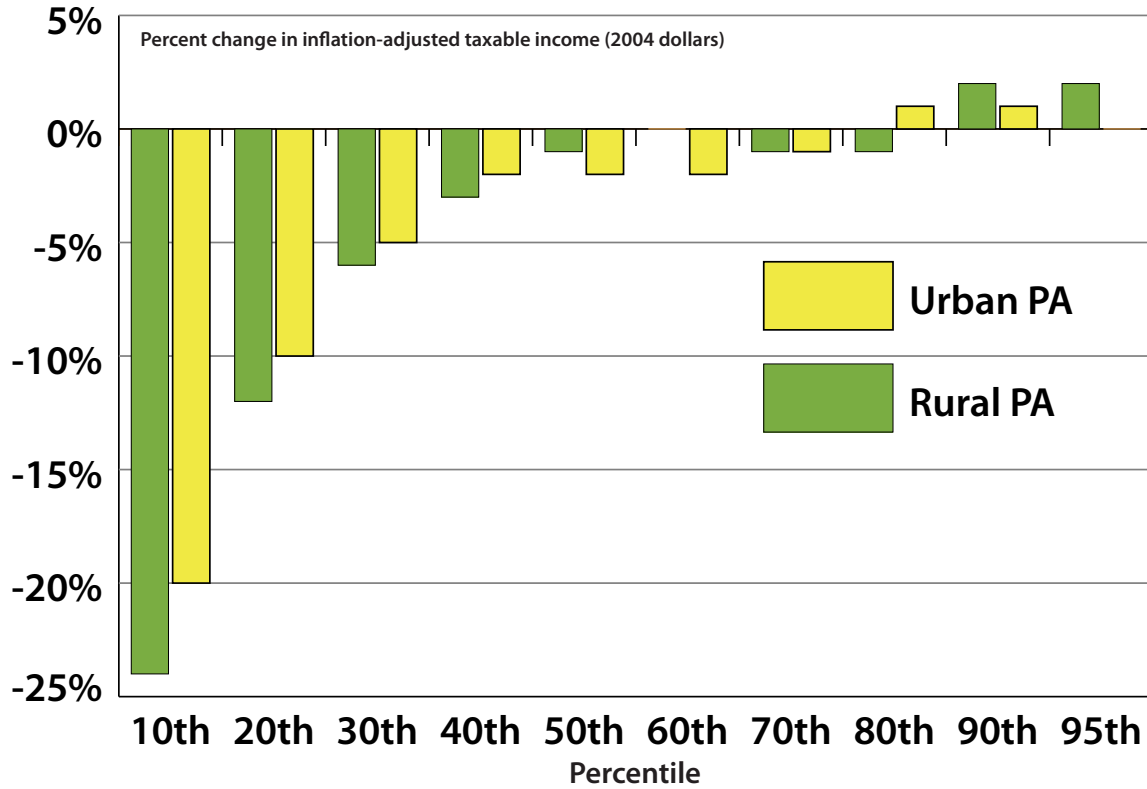
Source: KRC, based on Pennsylvania DOR data

Figure A10. Between 1995 and 2000, Incomes Increased at all Levels in Rural and Urban Pennsylvania



Source: KRC, Based on DOR data

Figure A11. Between 2000 and 2004, Rural Incomes Declined Relative to Urban at All Levels



Source. KRC, based on DOR data

Table A1. Pennsylvania Employment Trends by County, 1969-2004

Area	Percentage Change in Employment			Rank, Employment Change			Center for Rural PA
	1969-2005	1989-2000	2000-2005	1969-2005	1989-2000	2000-2005	
Pennsylvania	36	11	2				
Urban	33	10	2				Urban
Rural	47	15	4				Rural
Pike	330	41	30	1	3	1	Rural
Forest	63	8	28	21	54	2	Rural
Montour	108	8	22	11	52	3	Rural
Juniata	107	22	15	12	12	4	Rural
Monroe	193	21	14	2	14	5	Rural
Butler	114	32	12	9	7	6	Rural
Franklin	59	8	11	25	51	7	Rural
Centre	168	33	10	4	6	8	Rural
Adams	115	26	10	8	9	9	Rural
Northampton	22	7	10	53	55	10	Urban
Bucks	162	20	10	5	15	11	Urban
Chester	181	37	9	3	4	12	Urban
Indiana	79	11	8	18	42	13	Rural
Wayne	65	5	8	20	61	14	Rural
Lebanon	33	3	8	42	63	15	Urban
Washington	42	14	6	36	36	16	Rural
Lancaster	98	16	6	13	24	17	Urban
Carbon	38	15	6	39	27	18	Rural
Fayette	41	23	6	37	11	19	Rural
Clinton	24	24	5	51	10	20	Rural
Fulton	133	41	5	7	2	21	Rural
York	60	12	4	24	41	22	Urban
Westmoreland	43	14	4	35	34	23	Urban
Huntingdon	31	8	4	47	53	24	Rural
Clarion	59	15	4	26	29	25	Rural
Dauphin	62	19	3	22	17	26	Urban
Susquehanna	45	17	3	32	21	27	Rural
Columbia	32	10	3	43	44	28	Rural
Perry	89	27	3	14	8	29	Rural
Blair	32	15	3	45	32	30	Rural
Lackawanna	25	8	3	50	50	31	Urban
Greene	44	19	3	33	16	32	Rural
Jefferson	31	6	2	46	59	33	Rural
Lehigh	82	17	2	17	20	34	Urban
Montgomery	88	15	2	15	28	35	Urban
Snyder	83	17	2	16	22	36	Rural
Sullivan	23	11	1	52	43	37	Rural
Somerset	51	10	1	28	45	38	Rural
Delaware	40	7	1	38	56	39	Urban

Table A1. Pennsylvania Employment Trends by County, 1969-2004 (cont'd)

Area	Percentage Change in Employment			Rank, Employment Change			Center for Rural PA
	1969-2005	1989-2000	2000-2005	1969-2005	1989-2000	2000-2005	
Tioga	49	15	0	29	31	42	Rural
Clearfield	60	18	0	23	19	43	Rural
Mifflin	12	5	0	58	62	44	Rural
Lycoming	27	9	0	49	49	45	Rural
Bradford	49	12	0	30	40	46	Rural
Armstrong	34	21	0	41	13	47	Rural
Northumberland	-6	1	0	64	65	48	Rural
Cambria	7	9	0	60	48	49	Rural
Schuylkill	0	2	0	63	64	50	Rural
Beaver	-12	15	0	65	30	51	Urban
Berks	48	14	-1	31	35	52	Urban
Erie	43	16	-1	34	25	53	Urban
Mercer	17	16	-1	55	26	54	Rural
Union	112	13	-1	10	39	55	Rural
Allegheny	16	9	-2	57	46	56	Urban
Elk	29	15	-2	48	33	57	Rural
Lawrence	7	7	-2	59	57	58	Rural
Venango	17	7	-2	56	58	59	Rural
Crawford	36	18	-3	40	18	60	Rural
McKean	2	13	-3	62	37	61	Rural
Philadelphia	-31	-9	-4	67	67	62	Urban
Bedford	57	34	-6	27	5	63	Rural
Cameron	-14	13	-6	66	38	64	Rural
Warren	3	-1	-7	61	66	65	Rural
Wyoming	32	5	-9	44	60	66	Rural
Potter	73	55	-10	19	1	67	Rural

Source. KRC, based on BEA data.

Table A2. Total and Hispanic Population in Pennsylvania 2000-2005, by County

	Hispanics or Latinos April 2000	Estimated # Hispanics or Latinos, July 2005	Numerical Increase 2000-05	Estimated Total Population, July 2000	Estimated Total Population, July 2005	Hispanic Pop. Share, 2000	Hispanic Pop. Share, 2005
Pennsylvania	394,088	506,084	108,592	12,286,314	12,429,616	3.20%	4.10%
URBAN COUNTIES							
Allegheny	11,166	12,871	1,615	1,279,817	1,235,841	0.90%	1.00%
Beaver	1,315	1,581	262	181,156	177,377	0.70%	0.90%
Berks	36,357	49,193	12,268	374,561	396,314	9.70%	12.40%
Bucks	14,005	18,593	4,481	599,490	621,342	2.30%	3.00%
Chester	16,126	20,014	3,734	435,824	474,027	3.70%	4.20%
Cumberland	2,883	3,997	1,105	213,970	223,089	1.30%	1.80%
Dauphin	10,404	12,645	2,199	251,827	253,995	4.10%	5.00%
Delaware	8,423	10,785	2,414	552,206	555,648	1.50%	1.90%
Erie	6,126	6,920	799	280,716	280,446	2.20%	2.50%
Lackawanna	2,958	4,595	1,605	212,924	209,525	1.40%	2.20%
Lancaster	26,742	32,889	5,709	471,743	490,562	5.70%	6.70%
Lebanon	5,969	7,460	1,421	120,433	125,578	5.00%	5.90%
Lehigh	31,881	45,455	13,096	312,673	330,433	10.20%	13.80%
Luzerne	3,713	8,587	4,875	318,606	312,861	1.20%	2.70%
Montgomery	15,245	20,892	5,528	750,943	775,883	2.00%	2.70%
Northampton	17,868	22,799	4,735	267,488	287,767	6.70%	7.90%
Philadelphia	128,928	149,752	20,663	1,513,701	1,463,281	8.50%	10.20%
Westmoreland	1,869	2,183	312	369,820	367,635	0.50%	0.60%
York	11,296	15,774	4,344	382,749	408,801	3.00%	3.90%
TOTAL URBAN	353,274	446,985	91,165	8,890,647	8,990,405	4.00%	5.00%
RURAL COUNTIES							
Blair	662	793	121	129,060	126,795	0.50%	0.60%
Butler	1,016	1,409	340	174,588	182,087	0.60%	0.80%
Cambria	1,352	1,602	235	152,245	148,073	0.90%	1.10%
Carbon	858	1,314	450	58,844	61,959	1.50%	2.10%
Centre	2,243	2,716	284	135,823	140,561	1.70%	1.90%
Columbia	609	883	213	64,108	64,939	0.90%	1.40%
Fayette	564	674	111	148,522	146,142	0.40%	0.50%
Lycoming	799	999	198	119,951	118,395	0.70%	0.80%
Mercer	803	988	189	120,193	119,598	0.70%	0.80%
Perry	301	434	112	43,618	44,728	0.70%	1.00%
Pike	2,315	3,766	1,430	46,656	56,337	5.00%	6.70%
Somerset	532	690	155	80,040	78,907	0.70%	0.90%
Washington	1,170	1,495	313	203,040	206,406	0.60%	0.70%
Wyoming	187	310	123	28,030	28,160	0.70%	1.10%

Table A2. Total and Hispanic Population in Pennsylvania 2000-2005, by County (cont'd)

	Hispanics or Latinos April 2000	Estimated # Hispanics or Latinos, July 2005	Numerical Increase 2000-05	Estimated Total Population, July 2000	Estimated Total Population, July 2005	Hispanic Pop. Share, 2000	Hispanic Pop. Share, 2005
Adams	3,323	4,898	1,536	91,615	99,749	3.60%	4.90%
Armstrong	308	349	29	72,318	70,586	0.40%	0.50%
Bedford	263	294	24	50,041	50,091	0.50%	0.60%
Bradford	398	445	48	62,793	62,537	0.60%	0.70%
Cameron	34	48	6	5,943	5,639	0.60%	0.90%
Clarion	172	197	27	41,743	40,589	0.40%	0.50%
Clearfield	471	554	79	83,389	82,783	0.60%	0.70%
Clinton	205	277	68	37,929	37,439	0.50%	0.70%
Crawford	537	634	98	90,390	89,442	0.60%	0.70%
Elk	142	166	19	35,045	33,577	0.40%	0.50%
Forest	60	152	92	4,940	5,739	1.20%	2.60%
Franklin	2,268	3,665	1,368	129,546	137,409	1.80%	2.70%
Fulton	52	78	21	14,265	14,673	0.40%	0.50%
Greene	357	374	11	40,684	39,808	0.90%	0.90%
Huntingdon	524	572	46	45,598	45,947	1.10%	1.20%
Indiana	457	580	106	89,531	88,703	0.50%	0.70%
Jefferson	188	225	23	45,946	45,759	0.40%	0.50%
Juniata	369	575	82	22,857	23,507	1.60%	2.40%
Lawrence	529	704	142	94,625	92,809	0.60%	0.80%
McKean	485	535	35	45,802	44,370	1.10%	1.20%
Mifflin	263	285	16	46,498	46,235	0.60%	0.60%
Monroe	9,195	16,978	7,646	139,845	163,234	6.60%	10.40%
Montour	167	219	55	18,253	18,032	0.90%	1.20%
Northumberland	1,041	1,321	277	94,478	92,610	1.10%	1.40%
Potter	103	111	6	18,145	17,834	0.60%	0.60%
Schuylkill	1,671	2,169	494	150,147	147,447	1.10%	1.50%
Snyder	368	499	109	37,551	38,207	1.00%	1.30%
Sullivan	72	79	10	6,563	6,391	1.10%	1.20%
Susquehanna	285	344	47	42,254	42,124	0.70%	0.80%
Tioga	214	275	64	41,359	41,649	0.50%	0.70%
Union	1,622	1,773	193	41,659	43,131	3.90%	4.10%
Venango	298	347	37	57,476	55,928	0.50%	0.60%
Warren	151	224	72	43,796	42,033	0.30%	0.50%
Wayne	811	1,080	267	47,925	50,113	1.70%	2.20%
TOTAL RURAL	40,814	59,099	17,427	3,395,667	3,439,211	1.20%	1.70%

Source. U.S. Census Bureau <http://www.census.gov/population/www/estimates/metrodef.html>

**Table A3. Manufacturing Employment as a Share of Total Employment
(sorted by percentage point change from 2001-05)**

County	SIC-based Industry Classifications					NAICS-based Industry Classifications					% age point change	CRP 2000 Designation
	1969	1979	1989	1999	2000	2001	2002	2003	2004	2005	2001-05	
Pennsylvania	31%	25%	17%	14%	14%	12%	11%	11%	10%	10%	-2.2%	
Urban	30%	25%	16%	13%	13%	11%	10%	10%	9%	9%	-2.2%	
Rural	31%	25%	20%	17%	16%	15%	14%	13%	13%	13%	-2.4%	
Juniata	29%	32%	33%	23%	22%	22%	24%	24%	26%	26%	3.5%	Rural
Forest	32%	29%	17%	(D)	(D)	10%	13%	12%	(D)	(D)	2.1%	Rural
Cameron	63%	40%	40%	48%	47%	44%	45%	45%	(D)	(D)	1.5%	Rural
Clarion	22%	15%	15%	15%	14%	14%	14%	14%	14%	14%	0.0%	Rural
Potter	25%	17%	20%	14%	12%	9%	9%	10%	10%	9%	-0.1%	Rural
Indiana	21%	16%	11%	9%	9%	8%	8%	8%	8%	7%	-0.5%	Rural
Huntingdon	35%	26%	20%	15%	14%	14%	14%	13%	14%	14%	-0.6%	Rural
Armstrong	26%	18%	13%	12%	12%	11%	13%	12%	10%	10%	-0.6%	Rural
Pike	5%	9%	7%	3%	3%	3%	3%	3%	3%	3%	-0.8%	Rural
Monroe	20%	14%	10%	9%	9%	8%	8%	7%	7%	7%	-0.9%	Rural
Venango	31%	29%	18%	19%	18%	16%	16%	15%	15%	16%	-0.9%	Rural
Philadelphia	24%	17%	10%	8%	7%	5%	5%	5%	4%	4%	-1.0%	Urban
Dauphin	20%	17%	13%	10%	9%	8%	8%	7%	7%	7%	-1.1%	Urban
Wayne	22%	17%	11%	7%	6%	5%	4%	4%	4%	3%	-1.2%	Rural
Allegheny	25%	21%	11%	8%	8%	7%	6%	6%	5%	5%	-1.2%	Urban
Greene	7%	5%	3%	5%	5%	5%	4%	4%	4%	3%	-1.2%	Rural
Delaware	30%	20%	14%	9%	9%	8%	7%	7%	6%	6%	-1.3%	Urban
Fayette	21%	18%	13%	10%	10%	9%	9%	8%	8%	8%	-1.4%	Rural
Cumberland	19%	17%	12%	9%	9%	8%	7%	7%	7%	7%	-1.4%	Urban
Montour	40%	18%	10%	8%	7%	5%	5%	5%	4%	4%	-1.4%	Rural
Clearfield	26%	22%	15%	14%	14%	11%	10%	9%	9%	9%	-1.5%	Rural
Cambria	30%	21%	13%	11%	10%	8%	8%	7%	7%	7%	-1.5%	Rural
Jefferson	32%	30%	25%	24%	25%	22%	21%	20%	20%	20%	-1.6%	Rural
Adams	35%	27%	23%	18%	18%	17%	16%	15%	16%	16%	-1.7%	Rural
Lebanon	36%	32%	23%	19%	19%	19%	18%	17%	17%	17%	-1.7%	Urban
Washington	27%	22%	15%	13%	13%	12%	12%	11%	11%	11%	-1.7%	Rural
Crawford	32%	28%	24%	23%	23%	20%	18%	18%	18%	18%	-1.8%	Rural
Union	20%	21%	23%	15%	15%	15%	14%	15%	14%	13%	-1.9%	Rural
Franklin	29%	30%	24%	20%	19%	17%	15%	15%	14%	15%	-1.9%	Rural
Blair	29%	21%	17%	15%	15%	13%	12%	12%	12%	11%	-1.9%	Rural
Susquehanna	21%	23%	15%	11%	10%	9%	7%	7%	7%	7%	-1.9%	Rural
Lawrence	31%	26%	19%	14%	14%	13%	12%	11%	11%	11%	-2.0%	Rural
Centre	17%	15%	12%	9%	9%	8%	7%	6%	5%	5%	-2.0%	Rural
Bradford	29%	29%	28%	22%	22%	21%	20%	20%	19%	19%	-2.1%	Rural
Clinton	44%	40%	28%	22%	22%	20%	19%	17%	18%	18%	-2.2%	Rural
Bucks	35%	27%	18%	14%	14%	12%	11%	10%	10%	10%	-2.3%	Urban
Sullivan	28%	25%	23%	(D)	(D)	9%	10%	8%	8%	7%	-2.4%	Rural

**Table A3. Manufacturing Employment as a Share of Total Employment
(sorted by percentage point change from 2001-05) (cont'd)**

County	SIC-based Industry Classifications					NAICS-based Industry Classifications					% age point change	CRP 2000 Designation
	1969	1979	1989	1999	2000	2001	2002	2003	2004	2005	2001-05	
Snyder	29%	27%	29%	27%	29%	28%	27%	25%	25%	25%	-2.5%	Rural
Beaver	51%	43%	15%	15%	15%	14%	12%	12%	12%	11%	-2.6%	Urban
McKean	37%	33%	26%	25%	25%	22%	21%	20%	20%	19%	-2.7%	Rural
Mercer	41%	29%	22%	19%	18%	17%	16%	15%	15%	15%	-2.7%	Rural
Luzerne	37%	27%	19%	15%	15%	14%	13%	12%	12%	11%	-2.7%	Urban
Lackawanna	35%	28%	22%	15%	15%	14%	12%	11%	11%	11%	-2.8%	Urban
Chester	31%	27%	17%	12%	12%	11%	10%	9%	9%	8%	-2.8%	Urban
Butler	32%	28%	20%	18%	18%	16%	15%	14%	13%	13%	-2.9%	Rural
Lancaster	37%	32%	25%	22%	21%	19%	19%	18%	17%	16%	-2.9%	Urban
Columbia	46%	35%	30%	23%	23%	22%	21%	20%	20%	19%	-2.9%	Rural
Northampton	50%	42%	25%	17%	16%	15%	14%	13%	13%	12%	-2.9%	Urban
Elk	55%	50%	43%	42%	42%	38%	37%	35%	35%	35%	-3.1%	Rural
Carbon	46%	39%	22%	17%	15%	13%	11%	10%	9%	9%	-3.2%	Rural
Schuylkill	41%	35%	30%	24%	23%	21%	20%	19%	18%	18%	-3.4%	Rural
Westmoreland	34%	28%	17%	17%	16%	15%	13%	12%	11%	11%	-3.4%	Urban
Warren	34%	28%	23%	23%	22%	18%	17%	15%	15%	15%	-3.5%	Rural
Lycoming	39%	32%	26%	21%	21%	21%	19%	18%	18%	17%	-3.5%	Rural
York	40%	37%	28%	23%	23%	21%	20%	19%	19%	18%	-3.6%	Urban
Perry	16%	14%	8%	7%	8%	8%	5%	4%	4%	4%	-3.7%	Rural
Berks	41%	33%	26%	20%	20%	18%	17%	16%	15%	15%	-3.8%	Urban
Tioga	21%	17%	18%	21%	20%	19%	17%	17%	17%	15%	-3.8%	Rural
Erie	38%	33%	26%	22%	21%	19%	18%	16%	15%	15%	-4.0%	Urban
Wyoming	32%	36%	31%	(D)	(D)	26%	25%	24%	23%	22%	-4.0%	Rural
Northumberland	39%	34%	29%	24%	23%	21%	20%	17%	17%	17%	-4.2%	Rural
Fulton	23%	21%	21%	33%	32%	28%	25%	24%	26%	30%	-4.8%	Rural
Lehigh	36%	31%	21%	17%	16%	15%	13%	10%	9%	9%	-5.6%	Urban
Mifflin	41%	37%	32%	27%	27%	26%	24%	22%	20%	20%	-6.0%	Rural
Bedford	17%	16%	17%	21%	19%	18%	16%	13%	11%	10%	-7.7%	Rural

(D) Not shown to avoid disclosure of confidential information

Source: KRC, based on BEA data

Table A4. Rural Taxable Income as Percent of Urban Taxable Income, 1979-2004					
Rural as Percent of Urban					
Percentiles	1979	1989	1995	2000	2004
10th	84	74	72	76	72
20th	86	74	75	80	78
30th	86	74	75	80	78
40th	89	71	72	80	79
50th (median)	91	76	75	81	82
60th	92	79	77	81	82
70th	90	80	79	82	82
80th	89	80	80	81	80
90th	87	78	77	76	76
95th	84	74	74	71	72
<i>Note.</i> Inflation adjustment using the CPI-U-RS					
<i>Source.</i> KRC, based on Pennsylvania Department of Revenue data					