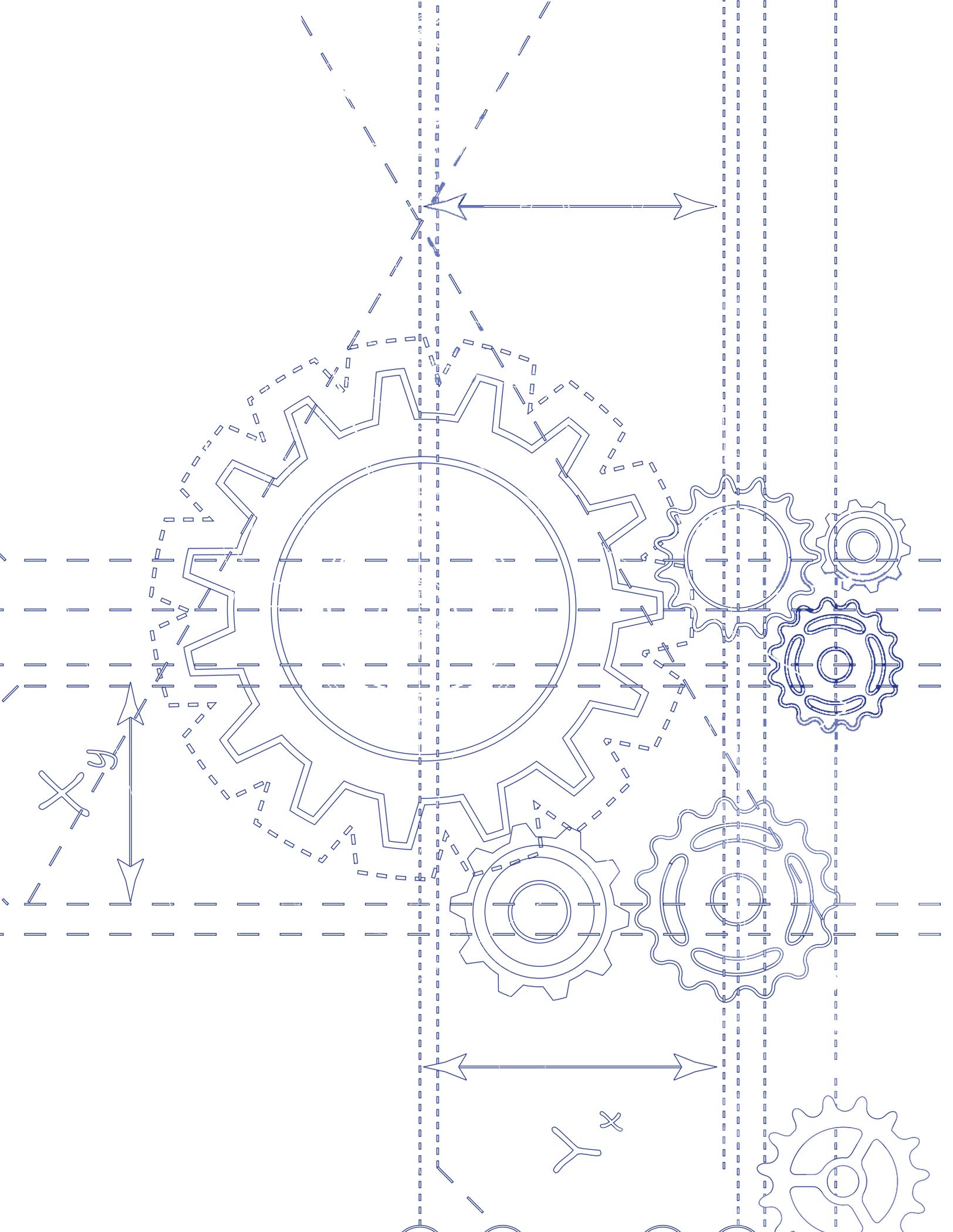


# MANUFACTURING FUELS RURAL PENNSYLVANIA

**NEPIRC**

northeastern pennsylvania industrial resource center

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# Executive Summary

Manufacturing is the engine that drives Pennsylvania's rural economy. While historically known for their agricultural output or, perhaps more recently, for the emergence of new energy sector industries, the Commonwealth's non-urban communities remain reliant upon regional manufacturers for the provision of stable, secure, family-sustaining jobs. With an average employee compensation level more than 20% higher than the overall regional worker level, families all across rural Pennsylvania depend upon manufacturers to preserve and advance their quality of life.

Fortunately, more than 4,300 rural manufacturers across the Commonwealth are meeting, if not exceeding, the needs and expectations of the communities in which they reside. Within rural Pennsylvania, manufacturing constitutes the second (2nd) largest sector in terms of total rural employment, accounting for 14.7% of total non-urban jobs. Each day, one out of every seven workers within Pennsylvania's rural communities reports to a manufacturing firm. Thanks to its impressive average worker compensation level - \$64,268 per year - manufacturing is the top rural sector when it comes to wages paid and benefits provided. Each year, rural Pennsylvania manufacturers provide a total of \$11.23 million in total compensation to their workers - or 17.1% of the Commonwealth's non-urban total.

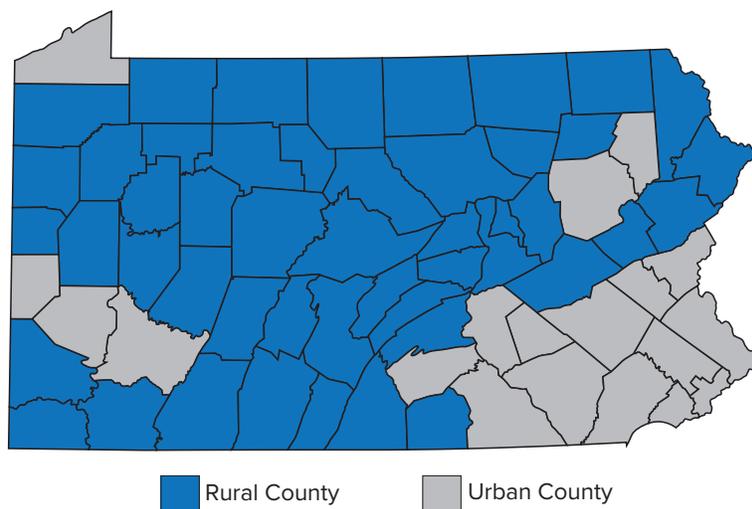
Since the easing of the 2008-2009 recession, several key subsectors of Pennsylvania's overall rural manufacturing composition have experienced dramatic growth. Together, the Beverage Manufacturing, Fabricated Metals, Food Manufacturing, Transportation Equipment and Wood Products subsectors created an impressive 8,514 new manufacturing jobs since the end of 2009. Total job creation within these subsectors, alone, infuses an additional \$551.5 million in worker compensation into the rural economy.

The future looks bright for Pennsylvania's rural manufacturers as they continue to benefit from some unique cost advantages, improved infrastructure, abundant natural resources and an experienced and dedicated workforce. However, in order to maximize their growth and ensure their continued vitality, manufacturers need ongoing assistance to capitalize on new technologies and explore modern initiatives such as reshoring, creating localized supply chains, leveraging broadband technology and diversifying into new markets.

Given the importance of manufacturing to Pennsylvania's rural communities and the citizens within them, leaders at the state and federal levels should support and ensure the adequate funding of economic development organizations that serve the manufacturing sector of rural Pennsylvania and are proven to have significant impact upon the creation of well-paying manufacturing jobs.

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Map of Pennsylvania's Rural and Urban Counties



Manufacturing continues to drive Pennsylvania’s economy – particularly within the Commonwealth’s rural communities. Throughout rural Pennsylvania, manufacturing is the largest provider of total worker compensation and the 2nd largest sector in terms of total employment.

Initiatives focused on reshoring, creating localized supply chains, leveraging broadband technology and diversifying into new markets are reinvigorating rural Pennsylvania’s manufacturing economy.

Since the recession of 2009, manufacturing grew at a much faster pace in rural Pennsylvania than across the state in general, with several key sub-sectors experiencing significant double-digit growth. This group includes Beverage Manufacturing; Fabricated Metals; Food Manufacturing; Transportation Equipment; and Wood Products.

In addition to the factors previously mentioned, much of rural Pennsylvania’s manufacturing rebound is attributable to access to an experienced and dedicated workforce, abundant natural resources, improved infrastructure and lower operating costs when compared to metropolitan areas. The impact of the Marcellus Shale industry on rural manufacturing is also noteworthy. Additionally, the statewide Industrial Resource Centers, frequently the only technical assistance organizations utilized by manufacturers in non-urban communities, had a significant impact on the industry’s resilience, recovery and post-recession expansion.

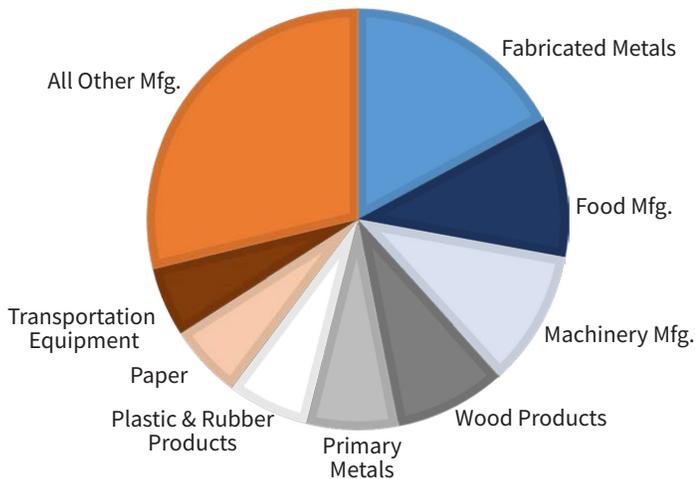
## Rural Manufacturing: Composition

Rural Pennsylvania hosts a diverse manufacturing economy, with more than 4,300 firms representing 21 industrial subsectors. While a wide range of manufacturers thrive within the Commonwealth’s rural communities, nearly 70% of rural manufacturing employment is concentrated within eight (8) primary subsectors, as shown on the chart below.

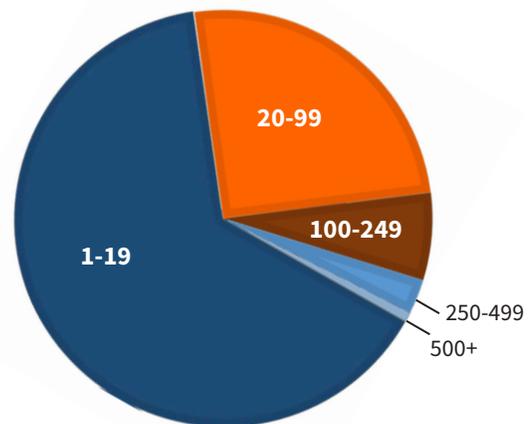
Small and mid-sized manufacturers dominate the Commonwealth’s non-urban landscape, with nearly two-thirds employing fewer than 20 workers and another quarter (25%) hosting between 20 and 99 full-time positions. Only a handful of rural production facilities have 500 or more employees.

**Rural Pennsylvania Manufacturing - 2016**

**By % of Employment**

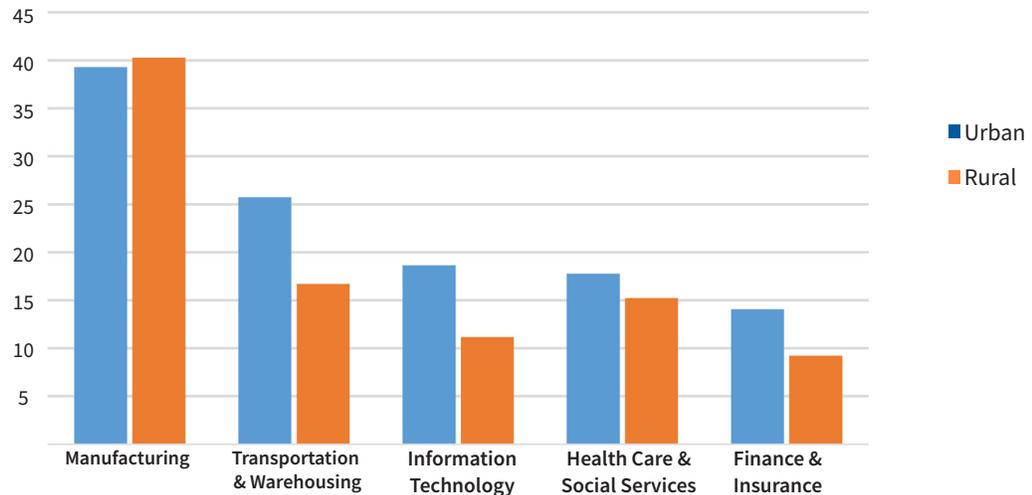


**By Number of Employees**



Despite the prevalence of smaller manufacturers within rural communities, they mirror their urban counterparts in terms of average firm size. Among all major sectors, in fact, manufacturing is the only industry that scales equally in both rural and urban settings and is not notably “smaller”, in terms of average employment, in non-metropolitan communities. The graph below illustrates the parity of average employment levels between rural and urban manufacturing enterprises as compared to other selected sectors of Pennsylvania’s economy.

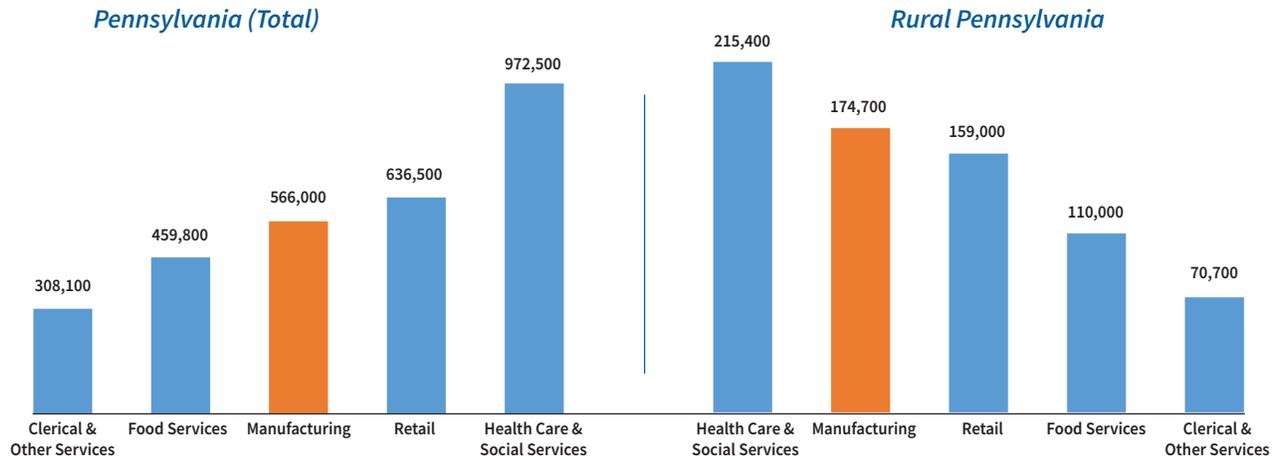
Average # Employees by Sector  
Urban & Rural – 2016



## Rural Manufacturing: Employment

Across Pennsylvania, manufacturing provides over 566,000 full-time family-sustaining jobs, constituting 11.2% of non-government employment. In so doing, manufacturing remains the Commonwealth’s 3rd largest private sector employer, behind only Health Care & Social Services and Retail. Within Pennsylvania’s rural communities, manufacturing provides 174,700 full-time jobs and stands as the 2nd largest provider of private employment. One in seven (14.7%) workers within Pennsylvania’s rural communities report to a manufacturing firm each day.

Total Employment by Sector – 2016



# Rural Manufacturing: Employee Compensation

Manufacturing careers provide a high quality of life, job security and financial stability for non-urban Pennsylvanians. Within rural communities, the average manufacturing worker earns \$64,268 of annual compensation and benefits. This surpasses rural Pennsylvania’s overall (all industry) average worker compensation of \$53,324 by 20.52%.

The chart below compares the average compensation provided to Pennsylvania’s rural manufacturing workers to that of other prominent non-urban industries and the overall rural worker average.

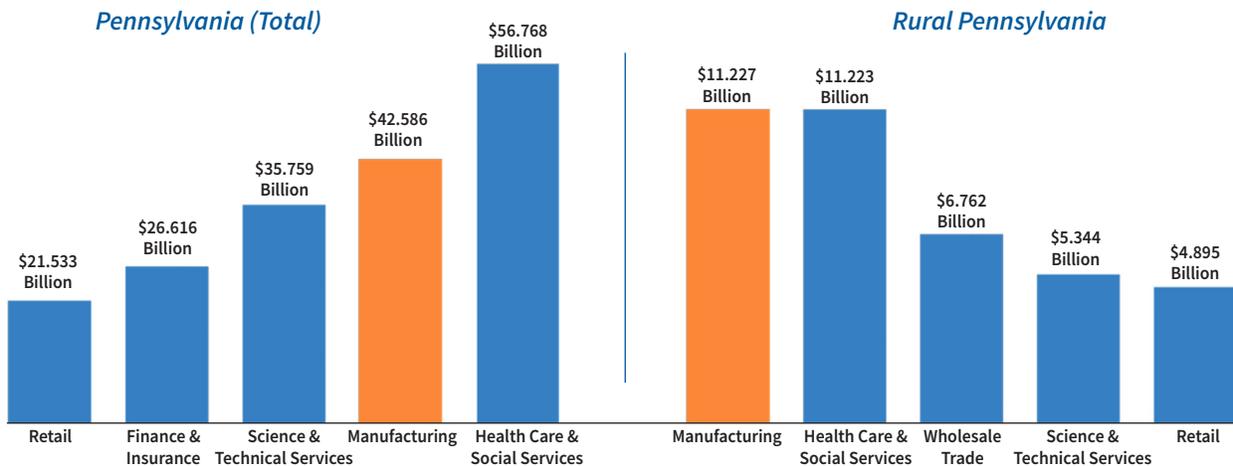
Rural Manufacturer Average Compensation vs. Other Rural Sectors and Overall Rural Average – 2016



# Rural Manufacturing: Total Compensation

Given its high level of total employment and above-average annual per-employee earnings, manufacturing remains a dominant provider of total employee compensation, both across the state and, particularly, within rural communities. Overall, manufacturing is the 2nd largest industry in terms of total annual compensation provided to workers. It accounts for \$42.6 billion in compensation each year, or 13.4% of the Commonwealth’s total private industry wages and benefits. Within rural communities, the industrial sector is the largest provider of worker wages and benefits. In 2016, rural manufacturers provided \$11.2 billion of employee wages and related benefits, constituting 17.1% of the Pennsylvania’s non-urban total.

Total Compensation by Sector - 2016



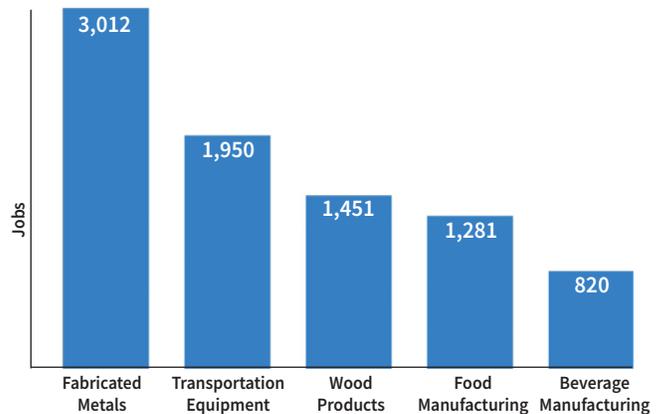
# Rural Manufacturing Growth Industries

Manufacturers everywhere felt the impact of the 2008-2009 recession. Since that time, however, many rural Pennsylvania manufacturing subsectors have bounced back and created thousands of full-time jobs.

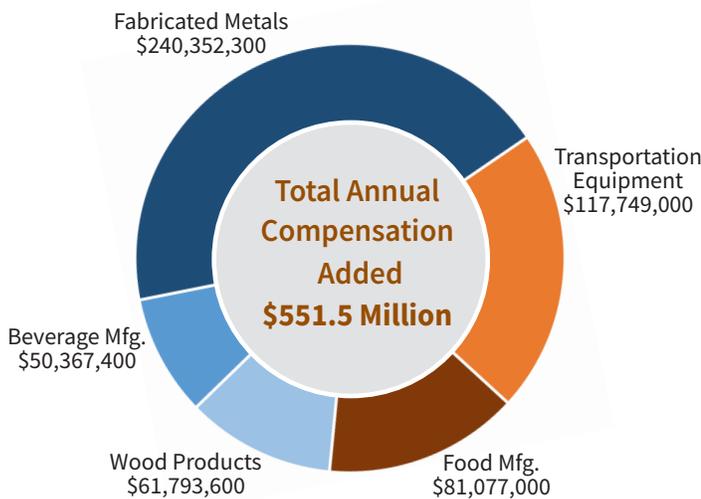
During the 2009-2016 period, five (5) key manufacturing subsectors experienced dynamic recoveries within rural Pennsylvania – Beverage Manufacturing, Fabricated Metals, Food Manufacturing, Transportation Equipment and Wood Products. Together, these sectors created 8,514 new manufacturing jobs since the middle of 2009 and thereby provide an additional \$551.6 million of compensation to their rural Pennsylvania workers annually.

The following charts illustrate the extent to which these high-growth subsectors added jobs across rural Pennsylvania and increased their respective employee compensation levels between 2009-2016.

Job Creation within Key Subsectors (2009 - 2016)



Annual Worker Compensation Added to Rural Communities Through Job Creation - 2016



## Conclusion

Manufacturing is the primary source of employment, wealth and well-being for families within Pennsylvania’s rural communities. By constituting a high percentage of overall rural jobs (14.7%) and providing average compensation well above (20.5%) that of its peers, manufacturing drives the Commonwealth’s non-urban economy and fuels ancillary industries.

While other industries have come and gone, manufacturing remains a constant and reliable source of employment, security and stability for rural Pennsylvanians. While the 2008-2009 recession impacted manufacturers everywhere, firms within the Commonwealth’s rural counties rebounded strongly. Five industrial subsectors added more than 8,500 rural manufacturing jobs since 2010, translating to an additional \$551.5 million in annual worker compensation.

Despite its vital role in the economy, the importance of manufacturing in rural Pennsylvania often goes unnoticed. Manufacturing is critical to the Commonwealth’s smaller communities and federal and state initiatives that maximize the continued growth of the sector are well justified. With sufficient budgetary support, Pennsylvania-based economic development organizations such as the Industrial Resource Centers can continue to facilitate rural industrial growth and the creation of more well-paying manufacturing jobs.



## Biography

*Eric Joseph Esoda is the President & CEO of the Northeastern Pennsylvania Industrial Resource Center and President of the Pennsylvania IRC Network, Inc.*

*Mr. Esoda serves on the Board of Directors of the Pennsylvania Economic Development Association (PEDA) and is pursuing Certified Economic Developer (CecD) designation from the International Economic Development Council (IEDC).*

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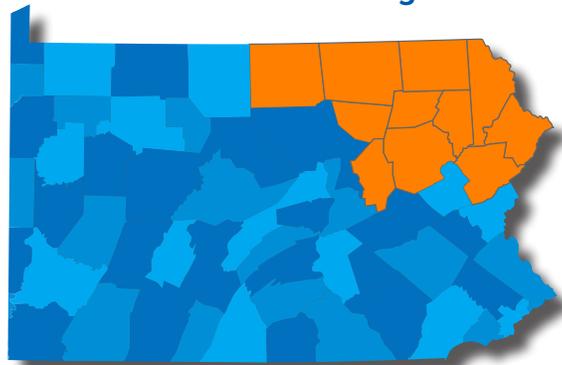
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## Sources

*PA Department of Labor & Industry; PA Center for Workforce Information & Analysis; Center for Rural Pennsylvania; EMSI (2016 Q4 Data); U.S. Census Bureau; U.S. Bureau of Labor Statistics.*

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