



Using Employment Data to Better Understand Your Local Economy

Introduction



PENNSSTATE



College of Agricultural Sciences
Agricultural Research and Cooperative Extension



“What are the current employment conditions in our community?”

*“What parts of the local economy have been growing?
Which industries have been declining?”*

“How does the local economy compare to other nearby economies?”

“What are the factors leading to local employment growth?”

“How do we identify new opportunities?”



Overview

In order to craft effective economic development strategies, understanding the current state of the local economy—including its relative strengths and weaknesses—is essential. To learn more about your local economy, we encourage you to conduct a detailed study of its current and historical performance.

In this series,¹ we offer tools to help you address the important questions at left. The tools will help you get started in examining important economic trends in your community. The methods are flexible and can be used on a variety of economic indicators, including employment and unemployment, income, poverty rates, and housing. The tools can use secondary data, readily available from sources such as the Census Bureau, the Bureau of Economic Analysis, and the Bureau of Labor Statistics. The analysis should help a variety of local efforts, including industry development, grant writing, and visioning.

¹The series is composed of the following workbooks:

- Introduction
- Read Me First! An Introduction to the Industry and Employment Classification System
- Tool 1. Develop a “Snapshot” of Important Local Economic Indicators
- Tool 2. Chart the Historical Performance of Key Economic Indicators
- Tool 3. Use Location Quotients to Identify Local Strengths, Opportunities, and Industry Clusters
- Tool 4. Shift-Share Analysis Helps Identify Local Growth Engines
- Tool 5. A Pennsylvania Internet Resource for Industry Employment and Occupation Projections
- Tool 6. Qualitative Analysis Can Provide Unique Insights into Local Economic Performance

A Few Things to Keep in Mind when Carrying Out the Analysis

In practice, a number of indicators illuminate our understanding of the local economy, ranging from simple descriptive statistics to in-depth surveys and analysis. Regardless of the methods and measures you choose, following important guidelines can help you make the most of your efforts. We urge you to keep the following points in mind when using the tools developed on the following pages.

1. *No “single number” represents the local economy.* When thoroughly assessing the local economy, you need to use several measures, as reliance on a single measure provides only limited insight. For example, a high job growth rate may show the community is generating new employment opportunities; but you should be interested in the wages provided by new jobs as well, in order to get a better understanding of the local labor market’s “true performance.”
2. *Make comparisons among communities.* No community exists in isolation. In order to better understand local economic performance, you should compare your community to “similar” communities, the state, and the nation.
3. *Examine changes over time.* While a “snapshot” analysis provides a good indication of where the community is today, knowing long-term trends in the community is important. With

respect to employment, industries that have traditionally been important may now be declining. Trend analysis can be particularly informative as it often provides good predictions about the near future.

4. *A “reality check” is essential.* While using the methods here to analyze “hard data” is a starting point, tapping the insights of local citizens and policy makers is also important. If the analysis and the data are at odds, a more in-depth examination may be necessary.
5. *The analyst, not the data, should tell the story.* Always remember, economic data is boring, and no reader wants to pore over reams of tables and charts. But the information can be extremely helpful if used to complement a coherent, consistent, and truthful story about the economy. The information is most useful when summarized with themes, interpretations, and conclusions.

Getting Started

Of course, the first step is to define the local economy. While in reality the mobility of people and money means any economy is not really place-specific, defining *some* region as the local economy is necessary. For practical reasons (such as data availability) the economy is often defined according to political jurisdictions, such as municipalities, counties, or states. While practitioners usually want to define the economy as locally as possible, keep in

mind that better data becomes more available as we move up the political hierarchy. Generally, comprehensive data at the subcounty level is available only every ten years from the census. Conversely, state, national, and even some county data are often updated monthly.

Once you have defined your economy, you can use these tools to size up your economy—keeping in mind the principles outlined in the previous paragraphs.

Some Basic Local Economic Indicators

In this section we discuss some potential indicators you may want to consider. Web sources of data are provided. This list is far from comprehensive.

Unemployment Rate (www.bls.gov/lau/)

The Bureau of Labor Statistics provides monthly estimates of county unemployment rates for states, metropolitan areas, and counties. The unemployment rate is easy to calculate: divide the number of people who are jobless and available for work by the labor force. The basic concepts involved in identifying the employed and unemployed are quite simple:

- People with jobs are employed.
- People who are jobless, looking for jobs, and available for work are unemployed.
- People who are neither employed nor unemployed are not in the labor force.

Employment (www.bea.gov/beat/regional/data.htm)

The employment data is a complete measure of the number of full- and part-time jobs in the county. Historical state and county data dating back to 1969 is available from the Bureau of Economic Analysis. The employment data include wage and salary workers, proprietors, private household employees, and

miscellaneous workers. Because part-time workers are included, a person holding two part-time jobs will be included twice.

Earnings (www.bea.gov/beat/regional/data.htm)

Earnings of employees are the sum of wages and salaries, other labor income (for example, benefits), and proprietors' income. As with employment, data are from the Bureau of Economic Analysis. Also, like employment data, earnings data are by place of work, so that earnings of an employee who works in one county but resides in another are counted in the county where the job is. Earnings per worker are simply the total earnings in an industry divided by total number of employees.

Population (www.census.gov/)

Historical population data is available from the U.S. Dept of Commerce, Bureau of the Census. When analyzing local economies, population growth trends are often used as a crude measure of relative economic performance. Typically, areas with rapidly growing populations also have strong job growth.

Per Capita Personal Income (www.bea.gov/beat/regional/data.htm)

Personal income is the income people receive from all sources—that is, from working, transfer payments, and interest and investments. Per capita income is the total personal income of the residents of a given area divided by the resident population of the area. *Per capita personal income* is often used as an indicator of the quality of consumer markets and of the economic well-being of the residents of an area. The Census Bureau provides per capita income county data every 10 years for every municipality. Annual state- and county-level estimates are available from the Bureau of Economic Analysis.

Building Permits (www.census.gov/const/www/index.html)

These data summarize the number of new housing units authorized by building permits. The data relate to units intended for occupancy on a housekeeping basis. They exclude mobile home units. Building permit data is useful to understand the growth in residential development in a community. (Penn State Cooperative Extension has produced an on-line workbook for communities to help understand potential impacts of residential development on government revenues and expenditures. Web site: <http://cax.aers.psu.edu/residentialimpact/>)

Poverty Rate (<http://www.census.gov/>)

The poverty rate is an estimate of the percentage of the county population that lives below the poverty threshold, as established by the federal government. In providing these estimates, the U.S. Census Bureau uses a set of money income thresholds that vary by family size and composition to detect who is poor. If a family's total income is less than that family's threshold, then that family—and every individual in it—is considered poor. As an example, the poverty threshold in 2002 for a family of four (two adults and two children) was \$18,100.

The poverty thresholds do not vary geographically, but they are updated annually for inflation using the consumer price index. The official poverty definition counts money income before taxes and does not include capital gains and noncash benefits (such as public housing, Medicaid, and food stamps).

Information gleaned from these tools can be helpful in several aspects of community development.

For economic development interests, this information can enhance understanding of employment trends, not only as specific to the community, but also in context of other regions, the state, or the nation. By identifying growing industries, as well as those that are declining, local development groups can concentrate their efforts on industries where the chances of success are greatest.

When applying for community development grants, documenting current and historical conditions is important. For nongovernment organizations, using the tools yields information that can strengthen grant-writing efforts.

Regardless of how you use the data, you must present it effectively! While information generated by the data analysis tools is an important aspect of understanding the local economy, the fact is that tables and charts are almost always boring. In order to be effective, you must use the data to tell a story—don't expect it to be the story.

For More Information

Much of the data and analyses used in this series is available for Pennsylvania on-line via Penn State's Center for Economic and Community Development at cecd.aers.psu.edu/. In addition, this Web site also provides educational materials and analyses for better understanding trends in the state economy.

In addition to the links provided, one of the best Web sites for information on regional economic analysis is www.econdata.net. On this site, you can find links to more than 1,000 on-line regional data collections, including the "Ten Best Sites." You will also find an excellent guide *Socioeconomic Data for Understanding Your Regional Economy*, which provides some simple analytical tools as well as an overview of many data providers and data sets.

Another good overview of simple methods is available source in *Community Economic Analysis: A How-to Manual*. Published by the North Central Regional Center for Rural Development (www.ag.iastate.edu/centers/rdev/RuralDev.html), this manual is designed to assist individuals who need to bring information to a group of citizens or decision makers concerned with the economic future of a community. The manual addresses nonlocal markets linkage, strategies for economic development, multipliers, assessing the size and shape of a community's trade area, keeping local dollars in the community, measuring the efficiency of local firms, and other strategies.

Another useful site is the Economic Development Web Site, sponsored by the Hubert H. Humphrey Institute at the University of Minnesota

(www.hhh.umn.edu/centers/slp/projects/edweb/). This site reviews some of the tools used in this series and provides an overview of "Ten Emerging Issues in Economic Development." One particularly noteworthy aspect of the site is its detailed discussion and examples of industry clustering as an economic development strategy.

Other Regional Rural Development Centers and data depositories include:

- Northeast Regional Center for Rural Development (www.cas.nercrd.psu.edu)

- Southern Rural Development Center (<http://ext.msstate.edu/srdc/>)

- Western Rural Development Center (<http://extension.usu.edu/wrdc/>)

The Penn State Data Center (<http://pasdc.hbg.psu.edu/>) provides extensive economic data. Their mission is to provide easy and efficient access to U.S. Census Bureau data and information through a wide network of lead, coordinating, and affiliate agencies in each state.

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