

# Restoring Prosperity:

## THE STATE ROLE IN REVITALIZING AMERICA'S OLDER INDUSTRIAL CITIES

### State Profile: Pennsylvania

#### What are Pennsylvania's "older industrial cities?"

The term older industrial cities is used here to describe a specific set of communities that are lagging their peers on a set of eight indicators of economic health and well-being (see table on p. 3). We began with an analysis of 302 U.S. cities—10 of which were in Pennsylvania—that in either 1990 or 2000: (1) had a population of at least 50,000 and were the largest city in a metropolitan area; (2) were at least 50 percent of the population of the largest city in a metropolitan area; or (3) had a population of at least 150,000 regardless of whether they were the largest city in a metropolitan area. This analysis revealed that Pennsylvania has nine economically struggling cities: Allentown, Altoona, Erie, Harrisburg, Lancaster, Philadelphia, Pittsburgh, Reading, and Scranton.<sup>1</sup>

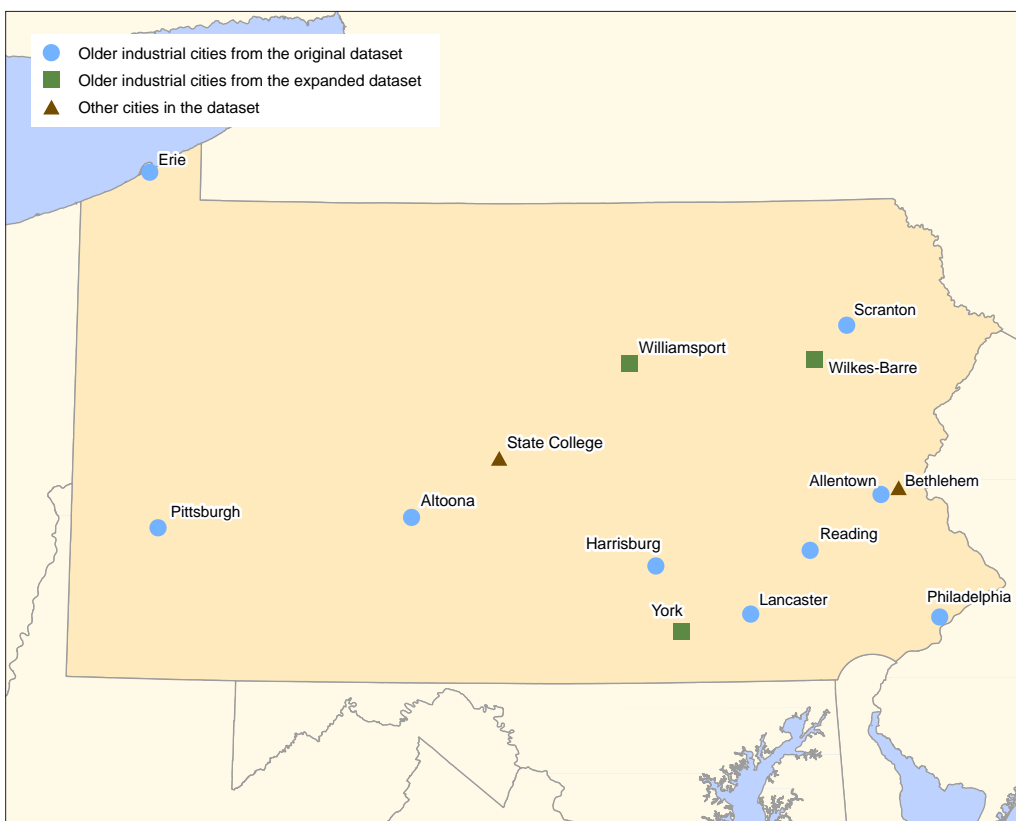
The list grows longer if we look at some of the state's other cities. When we expanded our criteria to include an additional 74 cities—four of which were in Pennsylvania—that had at least 30,000 people and that were either central cities in 1990 or principal cities in 2000, we found

that Wilkes-Barre, Williamsport, and York are experiencing some of the same economic challenges as the other nine cities.<sup>2</sup>

All told, then, 12 of the 14 Pennsylvania cities we examined are among 80 U.S. cities identified as economically weak relative to the other 296 cities in the complete dataset. These 12 cities—referred to here as "older industrial cities"—had a total population of nearly 2.5 million in 2000, and were home to approximately 20 percent of Pennsylvania residents.

#### What are the economic characteristics of Pennsylvania's older industrial cities?

Taken together, Pennsylvania's 12 older industrial cities were characterized by slow—or declines in—economic growth from 1990 to 2000. On average, these 12 cities lost 12 percent of their jobs from 1990 to 2000, while employment actually grew by over 15 percent in the other 296 cities in the dataset. Reading, for example, lost



#### Why "older industrial cities?"

Pennsylvania's cities share an economic history dominated by manufacturing. In 1970, the average share of residents in the 12 older industrial cities employed in manufacturing was almost 32 percent, with all of but two of the 12 cities (Harrisburg and Pittsburgh) having a manufacturing employment share of at least 25 percent. But deindustrialization over the past several decades has left these cities still struggling to find their economic niche: From 1970 to 2000, the average decline in the number of residents employed in manufacturing in these cities was 52 percent so that by 2000, only about 17 percent still held jobs in the sector.

**Pennsylvania ranks highest among seven states based on the share of its cities identified as "older industrial cities"**

State	Number of older industrial cities in original analysis (percent)	Number of older industrial cities in additional analysis (percent)	Total number of older industrial cities (percent)
<b>Pennsylvania</b>	<b>9 of 10 (90%)</b>	<b>3 of 4 (75%)</b>	<b>12 of 14 (86%)</b>
New York	7 of 8 (87.5%)	5 of 9 (56%)	12 of 17 (71%)
New Jersey	2 of 3 (67%)	3 of 9 (33%)	5 of 12 (42%)
Ohio	8 of 11 (73%)	1 of 11 (9%)	9 of 22 (41%)
Michigan	4 of 8 (50%)	2 of 16 (12.5%)	6 of 24 (25%)
Connecticut	3 of 7 (43%)	0 of 8 (0%)	3 of 15 (20%)
Massachusetts	3 of 5 (60%)	1 of 17 (6%)	4 of 22 (18%)

Source: Analysis by Hal Wolman, Kimberly Furdell, and Pamela Blumenthal, The George Washington University

24 percent of its jobs over the decade; Allentown lost 17.5 percent. These 12 older industrial cities saw their real average payroll increase by less than 18 percent and their number of business establishments grow just 4 percent, compared to 42 percent and 16 percent, respectively, among the other cities.<sup>3</sup>

These 12 cities' performance on measures of residential economic well-being looks much the same. Their average per capita income in 2000 was 73 percent of the average for the other 296 cities (\$15,333 compared to \$20,886), and their average median household income was less than 71 percent of the average for the others (\$28,227 compared to \$39,999). These older industrial cities had an average unemployment rate of 9 percent and a labor force participation rate of 60 percent, compared to an average 6 percent unemployment rate and 65 percent labor force participation rate in the other cities. The average poverty rate in these 12 cities was 21 percent, compared to an average of just 14 percent in the other cities in the dataset.

Due to data limitations, the data utilized to identify the older industrial cities are from 1990 and 2000 (condition indicators are based on year 2000 data, while change indicators reflect change from 1990 to 2000). However, a look at more recent data indicates that trends have remained consistent. According to American Community Survey (ACS) data, for example, in 2005 the average poverty rate for the six older industrial cities in Pennsylvania for which data was available (Allentown, Erie, Philadelphia, Pittsburgh, Reading, and Scranton) was almost 25 percent, an increase of 4.5 percentage points since 2000. The growth of wages and in the number of establishments, meanwhile, has continued to trail that of other cities. County Business Patterns data reveal that from 2000 to 2004 real annual payroll in Pennsylvania's 12 older industrial cities remained virtually flat, while it grew over 2 percent in the other cities in the dataset. The number

of establishments in the 12 older industrial cities grew by less than 2 percent during this period, while the number of establishments grew 4 percent in the other cities.

***What is the relationship of Pennsylvania's older industrial cities to their regions?***

While cities are vital entities in and of themselves, markets don't adhere to the arbitrary boundaries that separate them from their surrounding jurisdictions. A look at the economic condition of the 376 sample cities' metropolitan areas demonstrates the relationship between cities and their surrounding regions. By dividing the cities' metros into "weak," "moderate," and "strong" groups based on their rank on a MSA Economic Condition index—which in this case included the change in MSA-level employment, wages, and gross metropolitan product from 1990 to 2000, and the gross metropolitan product per job in 2000—the strong link between the economic health of cities and that of their metropolitan areas becomes evident.

Nine of Pennsylvania's 12 older industrial cities—Altoona, Erie, Harrisburg, Pittsburgh, Reading, Scranton, Wilkes-Barre, Williamsport, and York—are located in "weak" metropolitan areas. Add the 4.8 million people living in these metros in 2000 to the over 1.7 million residents of the remaining three older industrial cities and you have a total of over 6.5 million people—over half of the state's total population—living in economically anemic communities, a fact that should surely alarm state leaders concerned about Pennsylvania's long-term competitiveness. At the same time, though, this city-MSA analysis suggests a potential bright spot for Allentown, Lancaster, and Philadelphia, as they may be able to capitalize on positive economic growth trends in their comparatively healthy regions.

**Pennsylvania's older industrial cities are lagging other U.S. cities on several indicators of economic health and well-being**

	Allentown	Altoona	Erie	Harrisburg	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton	Wilkes-Barre	Williamsport	York	Average for 12 PA Cities	Average for Other 296 Cities in Dataset*
<b>City Economic Condition Index (1990–2000)</b>														
Change in Employment	-17.5%	-3.4%	-7.2%	-12.9%	-12.1%	-12.7%	-7.8%	-24.0%	-5.1%	-15.6%	-3.9%	-21.8%	-12.0%	15.3%
Change in Annual Payroll (County)	31.8%	22.2%	14.5%	24.1%	20.1%	11.4%	20.8%	12.8%	14.7%	16.5%	8.8%	14.1%	17.6%	42.3%**
Change in Establishments (County)	4.3%	8.8%	10.1%	8.7%	13.0%	-9.1%	0.8%	6.8%	3.3%	0.4%	-0.6%	5.2%	4.3%	16.3%**
<b>Residential Economic Wellbeing Index (2000)</b>														
Median Household Income	\$32,016	\$28,248	\$28,387	\$26,920	\$29,770	\$30,746	\$28,588	\$26,698	\$28,805	\$26,714	\$25,959	\$26,470	\$28,277	\$39,999
Per Capita Income	\$16,282	\$15,213	\$14,972	\$15,787	\$13,955	\$16,509	\$18,816	\$13,086	\$16,174	\$15,050	\$14,707	\$13,439	\$15,333	\$20,886
Unemployment Rate	7.2%	9.1%	8.1%	9.8%	7.7%	10.9%	10.1%	9.2%	7.3%	8.9%	12.6%	9.6%	9.2%	6.3%
Labor Force Participation Rate	60.1%	59.3%	60.8%	63.6%	63.3%	55.9%	58.5%	58.5%	56.7%	55.0%	61.3%	64.6%	59.8%	65.3%
Poverty Rate	18.5%	17.7%	18.8%	24.6%	21.2%	22.9%	20.4%	26.1%	15.0%	17.8%	20.3%	28.1%	20.9%	14.4%

Sources: U.S. Department of Housing and Urban Development, State of the Cities Data Systems; U.S. Census Bureau, County Business Patterns 1990 and 2000; U.S. Census of Population and Housing 2000. Analysis by Hal Wolman, Kimberly Furdell, and Pamela Blumenthal, The George Washington University

\*Doesn't include the 80 cities that were on the original (65) and expanded (15) older industrial cities list

\*\*Doesn't include Carson City, NV (data not available)

**What are some of these cities' assets?**

For all their economic challenges, Pennsylvania's older industrial cities possess numerous physical, economic, and cultural attributes that, if fully leveraged, could be converted into vital competitive assets. These 12 cities have a total of 933 properties on the National Register of Historic Places, for example, a number that doesn't include the additional homes and businesses that together help shape the many great neighborhoods located in these communities. These cities also have a concentration of education and medical facilities in their urban core: They boast a total of 47 four-year colleges and universities and 43 two-year colleges, as well as 86 hospitals and medical centers employing approximately 126,000 people. Finally, these cities are rich with cultural amenities. With 63 museums and seven professional sports teams (four in Philadelphia and three in Pittsburgh)—not to mention the dozens of galleries, theaters, music venues, and minor league sporting events—these cities offer a range of regional attractions that can help fuel the revitalization of downtowns and their surrounding neighborhoods.

After decades of painful economic restructuring, the time is ripe for Pennsylvania's state and local leaders to seize upon new trends and attitudes that have begun to revalue cities' special characteristics—and to again make them innovative, competitive, high-quality communities where their residents have the choices and opportunities needed to thrive.

**Pennsylvania's older industrial cities boast a number of physical, economic, and cultural assets**

City	Historic Properties	Four-Year Colleges & Universities	Two-Year Colleges	Hospitals and Medical Facilities	Museums	Major League Sports Teams
Allentown	17	2	2	4	2	0
Altoona	14	1	0	4	3	0
Erie	28	3	4	7	1	0
Harrisburg	35	2	3	3	2	0
Lancaster	78	2	3	3	8	0
Philadelphia	517	18	8	29	28	4
Pittsburgh	149	9	14	19	9	3
Reading	30	3	2	2	2	0
Scranton	26	2	2	4	3	0
Wilkes-Barre	14	2	0	7	2	0
Williamsport	7	1	1	1	2	0
York	18	2	4	3	1	0
<b>Total</b>	<b>933</b>	<b>47</b>	<b>43</b>	<b>86</b>	<b>63</b>	<b>7</b>

Sources: U.S. Department of Education, National Center for Education Statistics, 2007; AHA Annual Survey Database, FY 2005; National Register of Historic Places, 2007; American Association of Museums, 2007; NFL, NBA, NHL, MLB, WMBA, MLS

**Endnotes**

- 1 For a full description of the methodology employed to identify Pennsylvania's older industrial cities, please see Jennifer S. Vey, "Restoring Prosperity: The State Role in Revitalizing American's Older Industrial Cities" (Washington: Brookings Institution, 2007).
- 2 These 74 additional cities were located in seven states: Connecticut, Massachusetts, Michigan, Ohio, New Jersey, New York, and Pennsylvania. Additional cities in other states were not examined.
- 3 Due to data availability constraints, the annual payroll and establishments variables were measured at the county level for all years discussed in this document (1990, 2000, 2004).



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