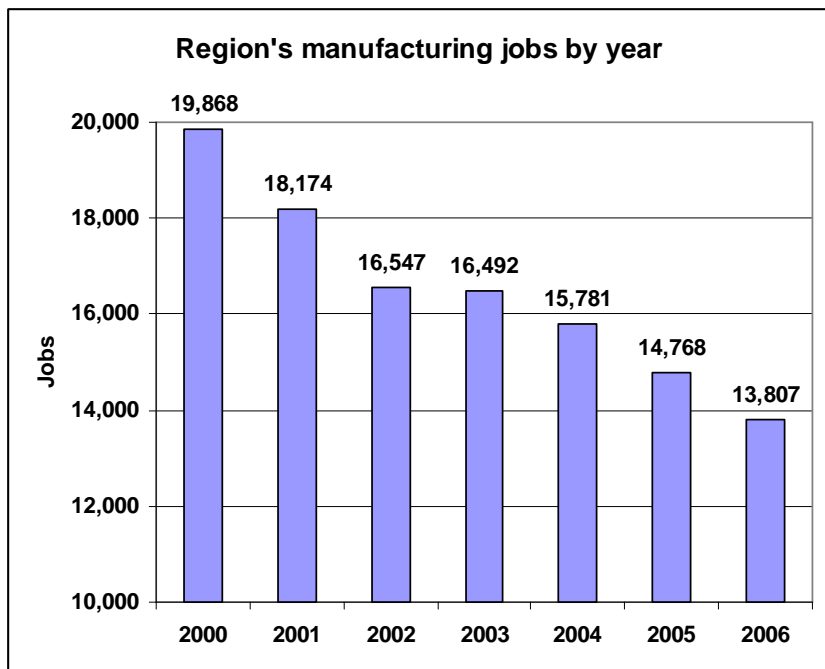


# Transformation of economy negatively impacts Sumter and region's jobs, population

The restructuring of the U.S. economy from one based on resources to one based on knowledge is having a profound impact on Sumter County and consequently the Santee-Lynches Region. The "knowledge economy" currently developing in the U.S. and abroad involves the expansion of the use of information technologies into all economic sectors, globalization of product and labor markets, rapid technological change and shortened production and product cycles.

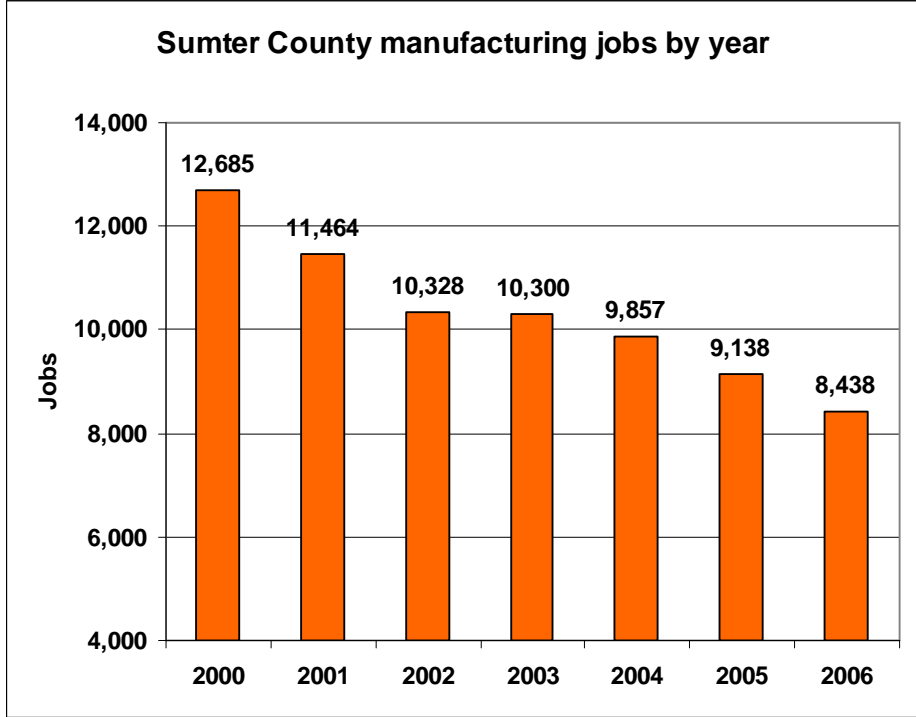
According to author Shari Garmise in "People and the Competitive Advantage of Place," in the emerging 21<sup>st</sup> Century economy economic development is changing from assets of place (water, sewer, facilities, etc.) to assets of people, where a premium is placed on highly skilled workers because they generate and apply knowledge through their labor. The current knowledge economy has caused major "growing pains" for rural counties and regions in South Carolina, including the Santee-Lynches Region. This region, like much of rural South Carolina, has depended on a large, lower-skilled, lower-wage manufacturing sector for its economic livelihood for decades. Currently, a high school diploma is the educational requirement for roughly 57 percent of jobs in the region, according to a 2006 survey of employers by independent consulting firm Wilbur Smith Associates.

In 2000 the Santee-Lynches Region's manufacturing sector accounted for 19,868 jobs, according to average monthly employment data from the Quarterly Census of Employment and Wages (QCEW) which is considered the most reliable source of information available. As the economy has continued to transform since 2000 as a result of greater accessibility to cheap overseas labor and increased application of technologies, these and other changes have necessitated fewer laborers. The result has been that the region's manufacturing base has eroded significantly. As of 2006 there were 13,807



manufacturing jobs in the region, reflecting a loss of 6,061 positions. Led by the losses in the manufacturing sector, total average monthly employment fell by 5.8 percent in the four-county region from 71,438 to 67,300. (QCEW jobs data does exclude military, self-employed workers, agricultural employment and non-profit agencies so changes in any of these areas wouldn't be accounted for in employment figures.)

The Santee-Lynches Region’s downward economic trends are especially prevalent in Sumter County, the rural region’s population and industrial center. Sumter County alone lost 4,247 manufacturing jobs, or 70 percent of the region’s total loss, during the six years from 2000 to 2006. Whereas the region’s average monthly employment total dipped 5.8 percent over the timeframe, Sumter’s job total dropped by 9.1 percent from 41,703 to 37,924. Since Sumter is the industrial center of the region, the county’s job losses had a direct effect on the region’s two most rural counties adjacent to it, Clarendon and Lee, which depend on Sumter for jobs. Data from the U.S. Census Bureau in 2000 showed about 4 percent of the region’s workforce, or 3,400 to 4,000 workers, were Clarendon or Lee residents who commuted into Sumter County for their employment in 2000.



Sumter’s struggling economy has caused its population totals to remain stagnant in recent years. From the 1990 Census through 2006, Sumter’s population grew from 102,637 to 104,430. It should be noted though that the 1990 population figure was an over-count of at least 5,000 by the Census Bureau from Shaw Air Force Base housing totals; therefore, growth during the 16 years was actually greater. If 5,000 people were taken off the 1990 Census total of 102,637, then growth for the 16 years was actually about 6,800 instead of 1,800. Still this growth is minimal, representing about 0.4 percent per year or about 425 people annually for the county. More importantly, since Sumter’s population total was rectified in 2000 at 104,646, the county has actually lost an estimated 216 in population for the six-year period since.

Since the county represents nearly 50 percent of the region’s total residents, Sumter’s population slowdown has caused the Santee-Lynches Region’s overall population to be relatively flat. From Census 2000 through 2006, the region’s four counties grew by only 5,904 residents cumulatively or 2.8 percent. The majority of this growth since 2000 has been in Kershaw County, which has had a population increase of 4,843. Analysis shows Kershaw’s growth has been on the western end of the county, which has developed into a “bedroom community” for jobs in the Columbia metro area. Thus, according to the Census Bureau the only growth in the region since 2000 is totally independent of Sumter, the region’s industrial and population center.

Some observers have a surface impression that Sumter is growing in population in recent years because of more houses and more retailers. The increase in houses and the “mini housing boom” in Sumter have been greatly impacted by low-interest rates and various financing options, which in part created more move-up opportunities for homeowners. Additional houses are also the result of a major decline in the mobile home industry in recent years and more Shaw airmen living off base as opposed to on base. Sumter has also had an increase in retail stores and restaurants in recent years. The retail job growth is included in the QCEW data that shows an increase of 468 non-manufacturing jobs in the county from 2000 to '06. However, this increase is far outweighed by the loss of 4,247 manufacturing jobs.

From a historical perspective, Sumter County’s population growth can be tied to its industrial activity. Sumter’s population experienced its greatest growth in the 1950s when manufacturing, especially textiles, moved there from the Northeast for a cheaper labor source. According to the Census Bureau, from 1950 to 1960 Sumter’s population grew by 32,000 or 68 percent from 47,634 to 79,941. As the lower-skilled, lower-wage manufacturing sector and total employment grew in Sumter during the 1970s through the 1990s, the county experienced corresponding population growth in the range of 10 percent per decade as represented in Tables 1 and 2. However, since 2000 Sumter’s 216 population decrease is matched with a 3,779 drop in total employment. (County-level data for jobs is only available back to 1975, preventing analysis for prior years.)

**Table 1 -- Sumter County population and percent growth from previous decade**

1930	1940	1950	1960	1970	1980	1990	2000	2006
45,902	52,463	47,634	79,941	79,425	88,243	97,637*	104,646	104,430
+6.7%	+14.3%	(-9.2%)	+67.8%	(-0.6%)	+11.1%	+10.6%	+7.2%	<b>(-0.2%)</b>

\* 1990 population total of 97,637 represents a reduction of 5,000 due to the original over-count in the 1990 Census for the county.

**Table 2 -- Sumter County jobs and population totals**

Jobs	1975	1980	1985	1990	2000	2006
Manufacturing	7,282	9,090	8,726	9,969	12,685	8,438
Total employment	17,649	26,015	28,952	33,819	41,703	37,924
Population	85,400	88,243	96,362	97,637*	104,646	104,430

Source: U.S. Census Bureau for population totals; Quarterly Census of Employment and Wages and SC Employment Security Commission for job totals.

\* 1990 population total of 97,637 removes the 5,000 over-count in the original 1990 Census total.

It’s important to mention that likely every county in South Carolina has lost manufacturing jobs since the late 1990s due to the transformation of the economy and globalization, but many of the more urban counties have offset the losses with gains in more highly skilled,

technical jobs not necessarily in the manufacturing sector. Other rural counties similar to Sumter have also been able to offset losses with moderate gains and increased population. Research shows that Sumter’s 9.1 percent job loss from 2000 to ’06 was greater than most comparable counties in the state. Moreover, some rural counties, namely Lancaster and Anderson, have been able to weather heavy job losses and still grow in population because they are “bedroom communities” for adjacent urban counties.

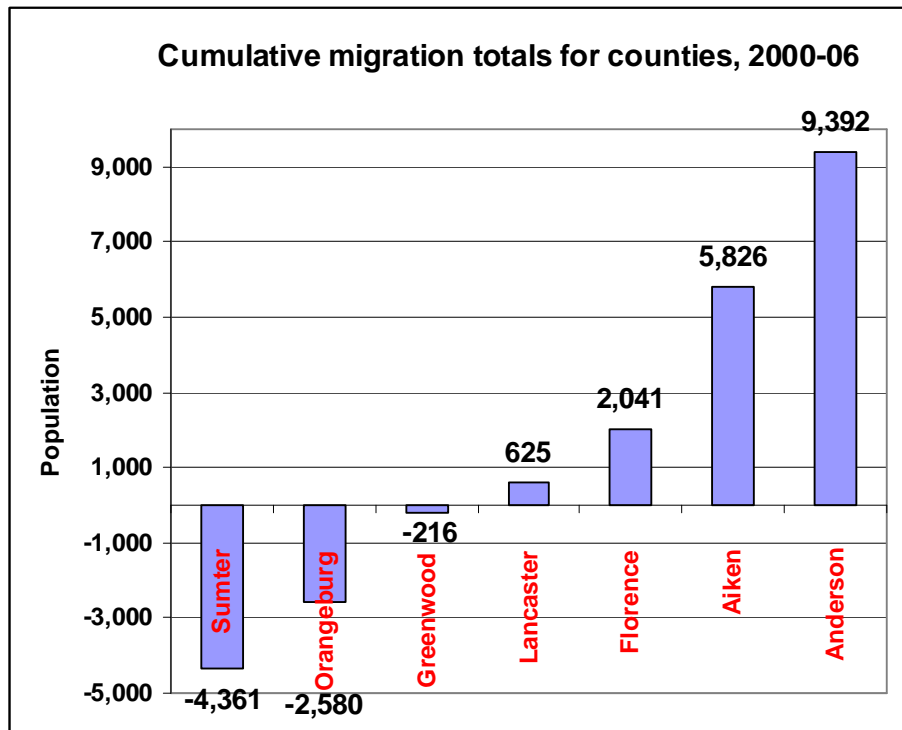
Both Lancaster and Anderson formerly had significant textile manufacturing jobs, and each has suffered heavy job losses since 2000. Lancaster was previously home to major plant operations for textile maker Springs Industries, which announced in June 2007 it was closing its remaining two plants in the state. In the mid-1990s Springs had more than 15,000 workers in the Carolinas; after the shutdowns later this year it will have about 700 workers in South Carolina.

Sumter’s 9.1 percent job loss since 2000 and the fact that it’s not necessarily a “bedroom community” translates into the flat population totals. The declining industry base in Sumter often means residents choose to move to another county for employment.

**Sumter County has led state in out-migration cumulatively since 2000**

Further analysis from Census Bureau statistics reveals specifics about where Sumter has declined in the population totals. Census data shows that Sumter County has led all the state’s 46 counties in out-

migration of U.S. residents since the 2000 Census. Out-migration for a year means more U.S. residents move away from a county during the year than move in. Sumter’s out-migration total from Census 2000 through 2006 was -4,361, far exceeding any other county in the state. Orangeburg County had the second-highest out-migration for the six-year period at -2,580. Out-migration comparisons for Sumter and similar counties in the state from 2000 to ’06 are in the



above graphic. Research shows that four counties – Lancaster, Florence, Aiken and Anderson – have been able to stem lower-skilled, lower-wage manufacturing losses and out-migration with job gains in other sectors or have grown as “bedroom communities.”

More inspection of the Census numbers reveals the under-65 year old population is chiefly where Sumter is losing people. For the six years, 4,062 more residents under age 65 moved

out of the county than moved in. Large rural counties generally face greater out-migration problems, but Sumter's declining industry base since 2000 is the major contributing factor in worsening the population loss.

### **A call for change**

Given Sumter's job losses due to the transformation of the economy and its positional disadvantages, which also includes relatively poor access to the interstate system, the county must focus on building its overall human talent base in terms of education and training in order to better compete and grow. This core economic strategy will in turn also aid growth in the region's more rural counties, Clarendon and Lee, which depend on Sumter for a portion of their job base. Continuing economic trends towards more lower-skilled, lower-wage manufacturing jobs moving offshore and increased technology applications reducing low-skilled labor needs will only make Sumter and the region's need to invest in people-centered growth policies more urgent. The Sumter Development Board staff now projects approximately another 3,000 manufacturing jobs in the county – as shown on Page 2 -- will be lost offshore in the years to come.

### **The economy now and into the future – Education is key**

Experts indicate that as the knowledge economy continues to develop, a much higher percentage of jobs will require post-secondary education. To continue to earn family-sustaining wages in the future, entry-level employees will need more than a high school education. To thrive in the 21<sup>st</sup> Century economy and recruit industry, counties and regions must build their human talent bases and be people-centered -- investing and nurturing the skills and talents of their populations. Garmise in "People and the Competitive Advantage of Place" writes that creative, innovative workers are the infrastructure of the knowledge economy.

To grow a local economy in the 21<sup>st</sup> Century the skill development within the workforce is critical. Counties and regions that foster attitudes centered on investing in their people by building effective education systems and adaptive training centers linked to emerging economies will have a competitive advantage. The upgraded skill-level of the people must match the transitioning skills competitive businesses need.

A perfect example of this trend is Toyota Motor Corp.'s recent selection of Tupelo, Miss., for a new \$1.3 billion manufacturing plant. Like the City of Sumter, Tupelo is in a rural area and not on an interstate. Tupelo's city population is actually less than Sumter, but 26.7 percent of Tupelo's residents are college graduates according to the 2000 Census. In the City of Sumter, 22.5 percent of residents have college degrees; the national average is 24.4 percent. It's reasonable to assume the City of Sumter's college-educated population is also increased by Shaw Air Force Base. Thus, Sumter's college-educated, non-military workforce – which is the people readily available for new employment opportunities -- is likely lower than 22.5 percent.

More current educational data is only available at the county level, but it does show more disparity between Sumter and Tupelo. The 2005 American Community Survey published by the Census Bureau showed 17.3 percent of Sumter County's population had at least a bachelor's degree. Lee County, Miss., where Tupelo is the county seat, had nearly 8 percent more college graduates at 25.1 percent in 2005.

In its site selection of Tupelo, Toyota praised the workforce as “educated, ethical and friendly with a strong work ethic.” More research shows Tupelo and Lee County worked together with two smaller adjacent counties to promote the region in the selection process.

In the last decade, multi-county regions have done better in coordinating and jointly investing in “knowledge production,” such as research parks and research universities, than investing in developing the “human capital” processes. Human capital development includes skills and education to help the maximum number of people prepare for higher-wage, higher-technical jobs as well as workforce systems to help people constantly adapt and upgrade skills as new job requirements emerge. Rural counties and regions must take a more strategic approach to human capital investment or the disparities between rich and poor areas will only widen. Garmise writes that “investing in people is multifaceted, including developing them through education, retraining them to meet new challenges, retaining them by offering a desirable place to live and supporting them through transitions to higher levels on the knowledge chain.”

South Carolina as a whole must do better in educating and training its youth and under-educated adult population. Recently, *Education Week*, a leading national education publication, reported the statewide high school graduation rate of 53.8 percent with a diploma in 2003-04 was worst in the nation. Mississippi’s high school graduation rate was nearly 10 percent higher at 62.1 percent. The national average was 70 percent. It’s expected that Tupelo’s rate is higher than the Mississippi average since its percentage of college graduates is much greater than the state norm. Also its per capita income level is in the top 10 percent in the state and well above the Mississippi average.

Reporting shows that in the 1940s Tupelo was a poor, struggling community in a poor state. Behind strong leadership, the community pulled together with the surrounding region to make progress. Local leadership said 60 years ago that “a community will not thrive or reach a high degree of attainment if the people are neglected. Poor health, ignorance, uneducated religious leadership and neglected homes stand in the way of progress.”

Through the aggressive work of volunteers and a high level of community cooperation and involvement, improvements were made in education and the economy. By the late 1980s, public school graduation rates were high and per capita income was one of the highest in the state. Community excellence was a priority.

Similar to many areas with traditional manufacturing bases, the late 1990s and early 2000s brought great challenges and job losses for Tupelo and the surrounding region. But Tupelo responded by intensifying its efforts to train and re-train the existing workforce and increase the higher education offerings in the area. The intensified programs included new career awareness in elementary and secondary schools, new community-wide efforts to promote the value of education, adopting high school and GED requirements for area employers, new direct relations between business and education, and expanded GED programming. Tupelo has maintained the strategy of building a great place one day at a time by concentrating on the quality of the workforce as the No. 1 issue in economic development. Tupelo’s efforts have paid off in population growth. Since 1985, Lee County, Miss., has grown by 18,000 or 30 percent.

Additional research by the Center on Urban & Metropolitan Policy at The Brookings Institution shows that cities with “high human capital,” generally measured by percent of residents over 25 with college educations, grow at a higher percentage than unskilled communities. In a report by the center, Edward Glaeser and Jesse Shapiro write this trend has been true for every time period back to the late 19<sup>th</sup> Century. The writers found the relationship between growth and human capital between 1990 and 2000 was stronger than any previous decade. For example, cities with the highest levels of human capital (more than 25 percent college educated) grew on average by 16 percent during the decade; while cities with the lowest levels (less than 15 percent college educated) grew on average by 7.5 percent. Glaeser and Shapiro also found that between 1990 and 2000 cities with large manufacturing bases -- defined as more than 20 percent of their labor force in manufacturing -- grew much more slowly than cities with strong service industries and less dependence on manufacturing. As the economy has transformed, the unemployment rates in manufacturing cities have increased; thus stunting population growth.

The Glaeser and Shapiro report concentrated on cities with populations of 100,000 or more, but the conclusions can apply to Sumter County and the Santee-Lynches Region as well. In the decade of the 1990s, Sumter’s manufacturing base fluctuated between 29 percent and 31 percent of total employment to fit in the category of large manufacturing dependence. Similar to large cities with heavy manufacturing that grew about 6.3 percent during the decade, Sumter grew 7.2 percent. During the decade, the Santee-Lynches Region grew by 11.6 percent. The national metropolitan city report found that cities with moderate levels of manufacturing – between 10 and 20 percent of the labor force – grew by 12.3 percent during the 1990s.

More importantly, since 2000 the region statistically has grown by less than 0.5 percent per year for the six-year period. For the decade of 2000 to 2010, the region is on pace to grow by 4.7 percent cumulatively. For Sumter and the region to grow at a faster rate, broad-based efforts must be planned and implemented to increase the skill-level of the current and future workforce and to concurrently recruit competitive, higher-wage jobs to the area even if company sizes are smaller. Otherwise, unemployment rates from the manufacturing base will only increase and population growth will not occur.

### Conclusions – Why is this important?

- The transformation of the economy in recent years has caused the Santee-Lynches Region to lose 4,138 jobs, or 5.8 percent of its employment base, since 2000. Sumter County alone has lost 3,779 jobs, reflecting a 9.1 percent employment loss. Job losses in the lower-skilled, lower-wage manufacturing sector are projected to continue in Sumter and the region.
- The struggling manufacturing economy specifically in Sumter, the region’s industrial center, has resulted in flat population totals since 2000. Analysis of Census Bureau totals shows Sumter County has led the state cumulatively since 2000 in out-migration.
- Given the region’s current and projected job losses and the positional disadvantages of Sumter, the Sumter community in partnership with the region must develop and implement a unified strategy to build its human talent base in order to retain and create jobs. Research shows “high human capital” cities and regions grow at a much faster rate than unskilled communities because they can weather the changes in the transitioning economy much better.