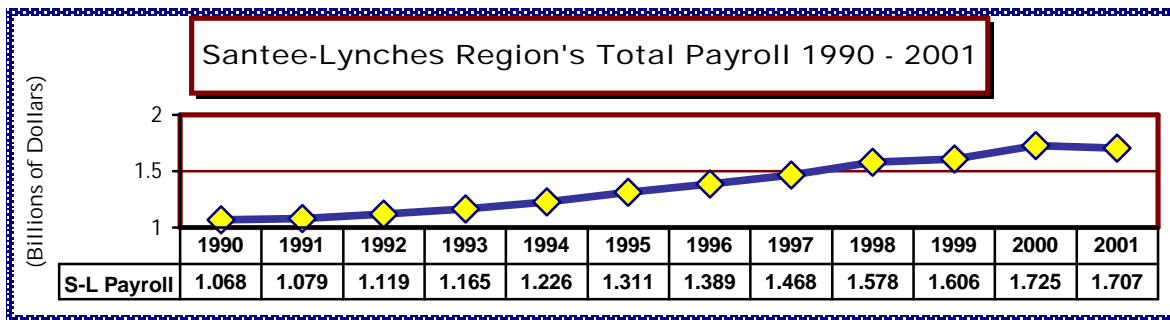


## Region's Payroll Income Not Diversified

Total Payroll is the annual wages paid by the private sector (business & industry) plus federal, state and local government payrolls, except active duty military. Payroll wages are the most important of the several elements that determine a geographic area's income. Not only is payroll usually the largest portion of an area's income, but payroll totals (particularly from the private sector) are also a measure of the area's economic vitality.

For the first time in over twenty years, the Santee-Lynches Region's total payroll declined between 2000 and 2001. Even during the early 1980's and the 1990 – 1992 recessions, the Region's payroll increased each year.



Source: S.C. Employment Security Commission

As the largest and most industrialized county in the Region, Sumter's total payroll accounted for over fifty-six percent (56%) of the Santee-Lynches 2001 total. The remainder of the Region's total payroll was divided as follows: Kershaw 28.2%, Clarendon 10% and Lee 5.4 %. The region's two rural counties (Clarendon and Lee) contain over twenty-five percent (25%) of the Region's population but account for only fifteen percent (15%) of the Region's annual payroll.

Another important aspect of payroll income is how much each standard industry category contributes to the overall annual payroll total. For this paper, we will use the following nine standard industry categories: Agriculture (AG), Construction (CON), Manufacturing (MFG), Transportation/Public Utilities (TPU), Trade (TRA), Finance/Insurance/Real Estate (FIRE), Services (SVC), Unclassed Industry to include Mining (UNC), and all Government except active duty military (GOV).

Percent of 2001 State & Region Payroll by Industrial Category

	AG	CON	MFG	TPU	TRA	FIRE	SVC	UNC	GOV
S. Carolina	0.8%	6.4%	22.5%	7.1%	17.0%	5.8%	21.4%	0.4%	18.6%
S-L Region	1.5%	7.4%	31.8%	4.1%	13.0%	3.8%	15.2%	0.3%	22.9%

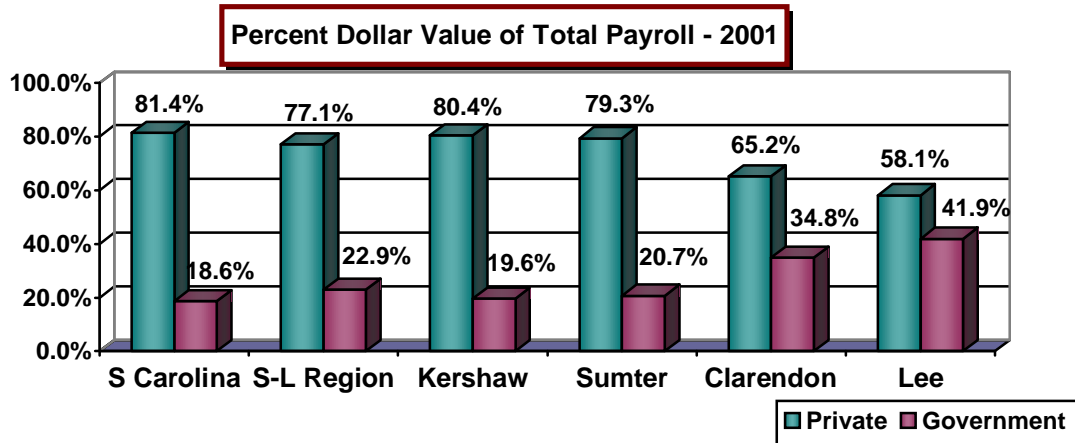
Source: 2001 Covered Employment & Wages – SC ESC

Almost one-third of all wage income in the Santee-Lynches Region is from the manufacturing category. When manufacturing and all government payrolls are combined, these two categories account for fifty-five percent (55%) of the Region's total payroll. By comparison, South Carolina payroll income is more evenly distributed throughout the major industrial categories. The concentration of wage income in just two of the nine categories makes this Region more vulnerable to economic downturns in these sectors. This vulnerability was evident when the manufacturing sector was depressed for twice as long as the recent recession, thereby contributing to the Region's total payroll decline in 2001.

The Region's disproportionate percentage of wage income from the government sector can also act as a limiting factor to economic growth. While higher federal and state government salaries

## WAGES INCOME SERIES

provide some immediate benefit to the Region's economy, an increasing government sector does not provide a long-term stimulus for economic development. Government employment and wage growth are financed by tax dollars and therefore can be limited in a democratic society. The following graphic shows the impact government payroll has on the total payroll.



Source: Covered Employment & Wages 2001 – SC ESC

While all the Region's counties exceeded the South Carolina government sector's average percentage in 2001, the more rural counties' percentages were approximately double the State average. A disturbing trend in this region is the growing role government payrolls play the overall wage economy. To demonstrate this trend, the following chart shows the change in the public sector percentage of the total payroll dollar value over the last five years.

### Government Sector Percent of Total Payroll

	S. Carolina	S-L Region	Kershaw	Sumter	Clarendon	Lee
Percent 1996	18.4	19.8	17.3	19.1	29.3	25.2
Percent 2001	18.6	22.9	19.6	20.7	34.8	41.9
Percent Change	0.2	3.1	2.3	1.6	5.5	16.7

There has been no appreciable percentage change in the South Carolina government sector average during the succeeding five years, but this Region's counties have all shown a growing public sector economic impact. Some of this increase is attributable to a growth in public employment as well as the government practice of annual cost of living raises. The major reason, however, especially in the more rural counties is a decrease in higher paying private sector industries.

### WHY IS THIS IMPORTANT?

- The amount of dollars an industrial category puts into the local economy is often as meaningful as the number of people it employs.
- Manufacturing will remain the basis for the Region's wage economy for some time to come. If the area's economy is to keep pace with the State, future manufacturing jobs must be more technically challenging, thereby requiring higher wages.
- The concentration of payroll dollars in manufacturing and government makes the Region's payroll economy vulnerable to cyclical and major economic shifts in either of these categories.
- The growing percentage of payroll dollars in the government sector indicates a slowing of private sector growth, an expanding state and/or local government or a combination of the two.