

# Lancaster PROSPERS

AN ECONOMIC STRATEGY FOR THE 21ST CENTURY

1100 South Queen Street  
P.O. Box 1558  
Lancaster, PA 17608-1558

Phone: 717-397-4046  
Fax: 717-293-3159  
E-mail: [biemiller@edclancaster.com](mailto:biemiller@edclancaster.com)  
Web Site: [www.edclancaster.com](http://www.edclancaster.com)

## **2003 Lancaster Prosperers**

### **Steering Committee**

*Timothy W. Peters, co-chair*

*Alexander Henderson III,  
co-chair*

*Thomas T. Baldrige*

*John H. Rose*

*R. Scott Smith, Jr.*

*Paul Thibault*

*David K. Nikoloff, staff*

*John W. Biemiller, staff*

*Jean K. Carroll, staff*

## **LANCASTERPROSPERS BACKGROUND BRIEFING PAPER**

August 19, 2003

### **I. Background**

LancasterProsperers is a countywide initiative sponsored by the Economic Development Company of Lancaster County and EDC Finance Corporation. Its goal is the creation of a countywide economic development strategy to serve as a roadmap for the region's future. The initiative recognizes the value of past planning efforts and seeks to build on those activities in reaching a consensus across a broad spectrum of the County's leadership.

The LancasterProsperers initiative began in early 2003, and is based upon a belief that Lancaster's future economic prosperity is uncertain unless County leaders and citizens make critical investments and development decisions today. The effort seeks to create a process whereby crucial economic development challenges are identified, and, more importantly, effective and feasible solutions are devised.

This document is designed to begin this effort by summarizing the array of issues that County leaders have identified as future challenges and opportunities for Lancaster County. It offers an initial assessment of the state of Lancaster County's economy. This document also summarizes the critical assets on which a strategy should be built and identifies the key challenges facing the County. Where warranted, the consultants make comments about these assets and challenges designed to help stimulate the thinking of the planning committee.

The document is based on review of existing research and planning documents, independent analysis, and one-on-one and focus interview discussions with more than 90 Lancaster County civic leaders and residents. These interviews included leaders from numerous sectors of Lancaster, including business leaders, government officials, social service providers, non-profit officials, and educators. Interviewees were asked to identify major challenges facing Lancaster County, and to also consider potential solutions to improve the local climate for economic development.

These varied information sources help paint a fascinating picture of the state of economic development in Lancaster County, circa 2003. Thanks to decades of economic prosperity and a quality of life that is the envy of many regions, Lancaster County enjoys many advantages as it seeks to prosper in the 21<sup>st</sup> century. But, this legacy of success is something of a double-edged sword as it may also instill a false sense of confidence. 21<sup>st</sup> century Lancaster will not prosper because it has prospered in the past. It will prosper because of smart decisions made today that ensure the

health and well-being of future generations. Our intent is to ensure that the LancasterProsper effort starts this process in an effective manner.

## II. Economic Analysis

As of April 2003, the US Bureau of Labor Statistics reports that Lancaster County has 248,000 employed residents, while 10,300 are seeking employment. The unemployed represent 4 percent of the total workforce. This rate is down somewhat from a high of 5.2 percent in February 2003, but still higher than the unemployment rate for every April, since 1994. In April 2002, the unemployment rate was 3.4 percent; in the same month in 2001, the rate was 2.7 percent; and in April 2000, it was 2.1 percent.

Average unemployment in the County is (and has traditionally been) lower than the national average, reported at 5.6 percent last month, and BLS recently announced the national unemployment rate had climbed to 6.1 percent for May.

Lancaster has traditionally enjoyed a reputation as a strong manufacturing county. However, private sector service producing industries account for 166,000 jobs, representing two-thirds of the County's employment base while manufacturing accounts for 20 percent. The County's manufacturing employment is certainly well above the national average of 11.3 percent, but the County's manufacturing employment has declined in recent years, mirroring a national decline. Since its peak employment level in June 1997, the County has lost 8,400 manufacturing jobs – shedding these jobs even during the boom years of the late 1990s and early years of this decade.

During the past six months, Lancaster has continued to lose jobs – 3,700 thus far, with the highest declines hitting in tourism-related industries and heavy manufacturing. The industries losing the most have been retail trade (600 jobs), food and drinking places (400 jobs), durable goods manufacturing (400 jobs), and transportation and utilities (400 jobs).

Not all sectors of the County's economy have shed jobs during the past six months. Services, finance, and even some non-durable manufacturing sectors have added jobs. In particular, educational and health services added 700 jobs during the past six months, financial activities increased by 400 jobs, food manufacturing added 300 jobs, and local government added 200 jobs. Information, leisure/hospitality, and wholesale trade added 100 jobs in each sector. It is notable that the services producing part of the economy lost only 100 jobs since last November, while the remaining losses occurred primarily in manufacturing and trade.

The County is also poised to exploit opportunities generated by leading local clusters. A recent Lancaster Workforce Investment Board study has identified five leading clusters (health care, construction, specialty manufacturing, food processing, and communications) where Lancaster enjoys significant competitive advantages. An economic development strategy that seeks to support and nurture these clusters is likely to yield significant future benefits.

### **III. Critical Assets**

Compared to many regions of the US, Lancaster County enjoys many advantages that are key to promoting future development. Despite recent weaknesses in the economy, the fabric and make up of the economy is fairly sound, so the County is more likely than other regions to be selective in its development. The County also has the relative luxury of having several key local assets upon which to build. These include the following:

#### **Civic Leadership**

Lancaster enjoys a strong history of committed civic leadership. Business leaders appear to have a high level of commitment to nonprofit organizations and contributing to the community in other ways, including participating in elected leadership roles. Overall, local levels of volunteerism and charitable giving appear to be quite high. This civic culture has at times created a multiplicity of visions for the County's future. The efforts that have gone into developing these visions are extensive, and they have key similarities that if bridged could prove to be powerful assets in moving this planning effort forward. Clearly articulated during the interviews is an understanding that the County is drifting because of a lack of consensus around these visions. Furthermore, many of the civic leaders that we met expressed support for change in the County's current direction.

#### **Economic Diversity**

Despite the current economic challenges, Lancaster appears to enjoy a relatively healthy and diverse local base. This diversity has helped cushion the region from the severe economic distress that has impacted other regions. The area's economic base is certainly anchored by manufacturing and tourism, but agriculture has a critically important role in supporting some aspects of the manufacturing sector as well as being an important economic contributor in its own right. Increasingly, service-oriented industries are dominating the economic landscape – although not the political debates. The area supports a strong base of local small businesses and many of these have emerged in growing service industries including health care, communications, and other sectors that contribute to the County's varied industry mix.

#### **Natural Amenities**

The "brand" that is Lancaster County is driven by its scenic beauty of farmland and rolling hills. This topographical asset is further enhanced by locational advantages: proximity to the major metropolitan area markets of the New York-to-Washington megalopolis and linkages to the relatively healthy economy of the central Pennsylvania region (i.e., Harrisburg and York). The "brand" is built on the unique balance crafted by local residents between small-town living and economic opportunity. This lifestyle balance and the unique cultural aspects of the Pennsylvania Dutch region attract thousands of tourists and is appealing to new residents, including retirees and urban immigrants (from the nearby large metro areas) seeking to start a "simpler" life. This immigration creates a natural friction between those seeking a dynamic and growing economy and those seeking a peaceful and laid back community.

## **Entrepreneurial Spirit**

Lancaster residents regularly brag about the strength of the local work ethic. New Amish business and other incidental businesses on farms are but one indicator of this ethic of self-sufficiency and creativity. Traditionally, Lancaster County appears to have enjoyed high-levels of self-employment when compared to other regions in the Commonwealth. A number of the larger industries in the region are home grown, especially in key areas such as media, finance, and manufacturing. When questioned about these businesses, interviewees admit that many resulted from the entrepreneurial efforts of past generations of Lancasterians, but to be fair, only the fastest growing current start-ups would likely be noticeable to community leaders.

## **Educational Resources**

Lancaster County hosts an interesting mix of higher education institutions. While the County lacks a major research institution or a four-year technical-oriented college, its other higher educational assets are top notch. Franklin & Marshall College and Elizabethtown College have regional reputations as top-flight liberal arts colleges. Many of the local institutions—Millersville University, the Thaddeus Stevens Institute of Technology, the Pennsylvania College of Arts and Design, and the Harrisburg Area Community College—can be key engines for generating future local economic growth. All of these institutions appear to be growing rapidly, responding to increased demands for education and training – especially from local residents.

## **Destination Downtown**

Almost every interviewee agreed that Lancaster City is the core of the region and is an important asset that must be developed. While the City of Lancaster faces many challenges in terms of poverty, crime, and economic instability, its assets as a destination are really quite impressive. As the 1998 LDR study for revitalizing downtown Lancaster indicated, and as many local business leaders and young residents point out, the City has character that attracts attention. Its potential as local historical, tourism, and cultural center has yet to be fully explored. Moreover, more effective linkages with local educational institutions could reap significant dividends. The key question that the County has not fully answered is what is the “socioeconomic purpose” of the City of Lancaster in the development of the region? The City’s development has been adrift, but many note that the recent development of the quilt museum and prospective development of the convention center complex and the ballpark could be major symbolic statements about the City’s future. Likewise, significant investments to improve the South Duke Street corridor have the potential to pay future dividends, if well integrated into the City’s long-term economic plans.

## **IV. Challenges**

The County’s leaders consistently agreed during our interviews that Lancaster seems to be heading in the wrong direction in large part because these individuals see a number of issues that are not being addressed in the County. Repeatedly, interviewees complained of a lack of cohesive leadership – which may be the root of many of

Lancaster's most important problems and is what this effort explicitly is trying to address. Among the most frequently cited challenges include:

### **Fragmentation**

Nearly every one of our interviewees cited fragmentation as a major challenge facing the County. Political and jurisdictional fragmentation results primarily from Pennsylvania's unique local government structure, but other causal factors have unique Lancaster-based antecedents. Active civic engagement – while in and of itself a key strength – has resulted ironically in proliferating organizations independently devising their own visions for the future of Lancaster. For instance, the field of economic development has been especially affected as a multitude of organizations are trying to accomplish economic development often in conflict with others who should be allies. As the EDC identified in its organizational planning process last year, better coordination and collaboration are needed. But there is also a tremendous amount of support for EDC taking on a facilitative leadership role in a more active way.

### **Economic Erosion**

Lancaster's economic prosperity is based on economic diversity, yet most of its traditional leading sectors face a period of slow or no growth. Prospects for employment growth in agriculture and manufacturing are limited. For instance, the slow erosion of Armstrong World Industries' leading position in the local economy may be a harbinger of the future for other local manufacturers as their industries continue to mature and employment levels continue to decline. Even within the bright spots of the manufacturing sector – such as food production – it is critical that these industries continue to adopt the latest technologies and continue to innovate in their product design and marketing approach to ensure their competitive position. Meanwhile, despite the recent declines, the prospects for tourism's growth are relatively bright, but several interviewees expressed concerns about the quality of jobs created in this sector. The County also has some unique service oriented clusters – such as a cluster of advertising companies – that may be critical for future success, but they depend to some degree on the success of the region's industrial base in growing their revenues. In some cases, these service firms even depend directly on growth in the manufacturing industries. Responses to this challenge must begin with fully understanding which elements of the economy are doing well and why, as well as the fundamental competitive pressures on the County's industry leaders – including growth sectors such as health care and education.

### **Impediments to Innovation**

Because of the region's strong agriculture and manufacturing legacy, industries have depended on workers who are skilled with their hands. Unfortunately, the County lacks a strong local base for future knowledge-based industries. Missing are the science and engineering capabilities required to develop new manufactured products, design creative approaches to problem solving, as well as serve the existing business base of the surrounding region. No major research institutions are located in the County to create this talent in the local workforce. Because agriculture and manufacturing traditionally offered semi-skilled work that paid living wages, there was little incentive in the population to continue education beyond high school, so the County's population's average educational attainment falls below national averages. This shortcoming in

educational attainment could be a tremendous disadvantage in attracting and retaining fast-growing companies.

The County also appears to suffer from shortfalls in resources for these fast-growing businesses, whether or not they are focused on new technologies. Like many regions, the County probably suffers from a seed-financing gap for firms seeking to move from the start-up to fast growth stage. Yet, a more pressing concern is the apparent paucity of fast-growth firms located in the County. Our research to date has found limited evidence of a vibrant local network of entrepreneurs (and service providers focused on their needs). The existence of firms poised for future growth and the institutions to support these firms will be critical for the region's future success.

### **Preconceptions about Development**

The County and many local leaders appear to be mired in a false debate about economic development. For a variety of reasons, debate over most new projects or initiatives starts with an “either-or” premise – either save farmland or promote development. We believe that this debate is “false” for three reasons. First, anti-growth advocates succeed because local leaders and residents lack effective knowledge about how economic development occurs and affects the wider community. The presumption is that development seems to always gobble up land set aside for other economic or social purposes. This need not be the case. Land use discussions should not drive economic development if the growth is well planned and – more importantly – well managed.

Second, the County still lacks consensus on a vision about its economic future that reflects new economic realities and a common perception of the impact on the physical as well as economic landscape. Land use planning and debates appear to be steeped in the tradition of the County's past economic drivers. Yet, these drivers will likely be insufficient to maintain prosperity. As the County looks forward, public discussion of what will drive future economic growth appears limited.

Finally, debates remain very community-centric. These debates focus on making choices that are expected to affect individual municipalities when the discussion fails to acknowledge that development occurs within the much larger context of Lancaster County and even a broader south central Pennsylvania region. Choices made in Harrisburg, York, and even Philadelphia directly impact the development potential and opportunities facing the County and its municipalities. Likewise, choices made in Ephrata affect Columbia, Manheim, and Lancaster City.

Because of this confusion and conflict created about both the nature of economic development and the County's economic future, inertia becomes the default response. While Lancaster's economy shows some indications of stagnation, its neighbors' economies have suffered much more significant deterioration. Thus, Lancaster's economy appears relatively strong when compared to other communities. This relative prosperity may induce complacency among some County residents and local leaders who may not fully appreciate how their decisions affect the County's economic development potential. The perception is that things have worked well in the past so they probably will continue to do so. Developers suggested that local political leaders do not want the headache of making hard choices in support of new development, so the developers opt to invest their time and money in other counties (and even states) that

are more receptive. However, as experience in other parts of the country suggests, if the cycle begins to seriously deteriorate in a region, the local economy can weaken rapidly.

### **Deterioration of Lancaster City**

Surprisingly, almost every interviewee voluntarily brought up concerns about Lancaster City. Many see the City as the County's central core – and as a symbol of the County's economic success or failure. Many maintain that Lancaster County cannot prosper if the City of Lancaster's quality of life continues to erode. The many facets of this issue, from perceptions of crime to school quality, have been widely studied and debated. Efforts to address these challenges appear to be sporadic and haphazard, but forces seem to be coming together to begin to make a difference. For example, almost every group talked about what they were doing to make something happen downtown – from the convention center proposal to the quilt museum and from the new “arts district” to the clean-up of South Duke Street. National research suggests that Lancasterians have it right – that the success of the entire County is directly tied to how well the City is able to achieve its successes – especially since urban places play such an integral role in knowledge-oriented economic development activities. Nonetheless, these efforts cannot work without a connection to a viable economic purpose for the City and efforts to define that purpose will be critical outcomes of this planning exercise.

### **Lack of Lure for the Future Workforce**

Lancaster County boasts an impressive quality of life, but these traditional qualities are often not considered attractive to the future workforce. Surveys indicate that future workers desire regions that boast of urban/outdoor amenities, racial diversity, and access to exciting career opportunities. Few of these qualities currently exist in Lancaster County. The presence of ethnic tensions, an apparent brain drain of highly educated youth, and continued deterioration of Lancaster City are all related to the causes and symptoms of this problem. Young educated workers are seeking opportunities in service-oriented enterprises that are dynamic and energetic. These workers are the source of entrepreneurial activity as they gain experience in their respective fields. Providing economic and social opportunities for young adults will be critical to this effort and downtown Lancaster will be a critical element because high quality urban living is important to many young adults.

### **Sprawl**

Many other analyses of the Lancaster economy cite sprawl as a major challenge to the region's future development. We do not question this assessment, but we believe that existing remedies (e.g. urban growth boundaries, farmland preservation) attempt to address only the symptoms of the more serious challenges cited above. Because the County has been unable to coalesce around a future economic development vision and its related actions (e.g. the future of Lancaster City), economic development debates have proceeded on a project-by-project basis. As a result, development occurs where it is allowed to happen as opposed to where residents would prefer it to be. Furthermore, proactive public efforts to prepare for future-oriented land use needs appear to be limited or non-existent. For instance, if the County as a whole prefers that development not sprawl into protected farmland areas, what are County leaders doing to prepare for development in areas where growth is welcomed? What are municipalities and

boroughs doing to prepare for wanted development and proactively preclude unwanted development?

As the residential population grows and adds new housing, the County and its municipalities must understand the expected impacts on demand for commercial and consumer services. Where will residents work if preparations are not made for jobs to be located close by? If the choice is that they will work elsewhere, then how well does the region's transportation planning efforts reflect that choice? Existing land use initiatives, such as the County Comprehensive Plan, are excellent vehicles. However, they must be accompanied with a consensus vision for the County's future economic prosperity and a proactive plan to make that vision happen.

## **V. Concluding Questions for The Planning Committee**

In shaping the Planning Committee's thinking as well as prioritizing the issues on which the County would like to achieve success, the committee should consider a few basic questions about how well the County is prepared for a changing economy – a "new" knowledge-oriented economy.

This "new" knowledge economy is not just about electronics, biotech and information technology. Rather, it is about how every industry adapts to a new era of global competition. Regional economic development efforts in this context call for sound economic foundations supported by local investments in education and training, infrastructure, digital access as well as reasonable local tax policy, well crafted regulatory policy, and effective business-government-education collaboration. The economic drivers that will likely have the greatest impact are: (1) whether the County and its companies have sufficient scale to compete on a global stage; (2) how well the County and its companies can innovate; (3) the effectiveness of the resources available to create new ideas and to enhance local talent for commercial purposes; and (4) the attractiveness of Lancaster County to those most likely to succeed in the new knowledge economy. Consequently, the County's strengths, weaknesses, opportunities, and threats should be considered in the context of how effective the following economic drivers are:

- The Region's Scale in a Global Context
  - Can the County compete on the world stage as a region? If not, with whom and how should it collaborate to compete more effectively?
  - What critical mass of assets is required to ensure Lancaster's continued prosperity? What assets are now in place, and what additional assets must be nurtured and developed?
  
- The Regional Ability to Innovate
  - Does the region have "smart" companies that continuously seek to adopt new technologies?
  - How well does the region nurture entrepreneurial activity?
  - Does the region support the development of new industry clusters?

- Knowledge Institutions
  - How much talent and skill does the region have in its workforce that pertains to emerging new industries?
  - What resources are readily available to help the existing workforce and business community effectively enhance their skills and talents?
  - What infrastructure does the region require to “move knowledge” from the workplace to the marketplace – including high-speed communications and transportation networks?
  
- Economic and Community Development
  - How can a vision for the economic future of the County be effectively integrated with community planning goals that may be designed to limit such a vision of change?
  - How can the County ensure that new economic opportunities are available to all of its varied communities?
  - How can the County’s varied communities work together to “sell” the region as a good place to live, work, and play?
  - How can the County serve as an effective steward over the attractive amenities (e.g. farmland, open space) that already exist, and which serve as a magnet for both tourists and new residents?
  
- Amenities
  - What urban amenities – in the form of cultural and social assets – either exist within or are easily accessible to the young adults and educated workers in the County?
  - What outdoor amenities – in the form of natural resources and open space – either exist within or are easily accessible to the young adults and educated workers in the County?
  - What is the social climate in the County and how well does it tolerate diversity – including differing ethnic backgrounds, individual perspectives, or alternative opinions?

This set of questions should be useful in helping the Planning Committee to truly assess the County’s assets – strengths and opportunities as well as the County’s challenges –