



# ECONOMIC **IMPACT REPORT**

Wabtec and the Erie Community

May 2019



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# INTRODUCTION

The following research publication provides a brief examination of Wabtec—one of Erie’s largest employers—following their recent acquisition of GE Transportation. Before reviewing Wabtec’s specific impact; however, it’s important to provide additional context to the value that economic impact studies bring to communities. Communities can use economic impact studies to evaluate and understand the role that organizations have on their region, from major employers to small businesses to local universities.

## What is an Economic Impact Study?<sup>i</sup>

An economic impact study examines the effects of change within the local economy of a specified area, ranging in size from a neighborhood to the world. It measures and analyzes the change in business revenue, profits, wages, and jobs. Oftentimes, economic impact studies are useful when a proposed project is in question, a new policy is in play, or a company is relocating into or out of an area.

Economic impact studies are frequently used to compare different hypothetical scenarios and outcomes. For example, let’s say a new tax policy is being considered. An economic impact study may be conducted to help quantify various costs and benefits of the policy on individuals, businesses, and the broader community. Whatever the case, the goal of an economic impact study is to demonstrate and quantify the ripple effects of a potential economic change on a specific region.

## What are the Types of Economic Impact Studies?<sup>ii</sup>

There are five common types of economic impact studies—output impact, value-added impact, labor income impact, employment impact, and property value impact. Each analysis provides a different depth of information pertinent to understanding economic implications of various actions and changes within the local economy.

For the purposes of this economic impact study, it’s important to understand the basic concepts of an output impact study, a value-added impact study, and a labor income impact study.

- An **output impact study** focuses on business sales revenue as a way to measure the impact of the business using some of its revenue to purchase goods and services outside the specified region.
- A **value-added impact study** determines effects of an increase or decrease in a region’s gross regional product (much like how gross domestic product is discussed at a national level).

- A **labor income impact study** focuses on the wages paid to local employees with an intent to measure how employees are projected to spend their wages in the local economy.

Additionally, there are three core economic sources to measure: direct, indirect, and induced effects.

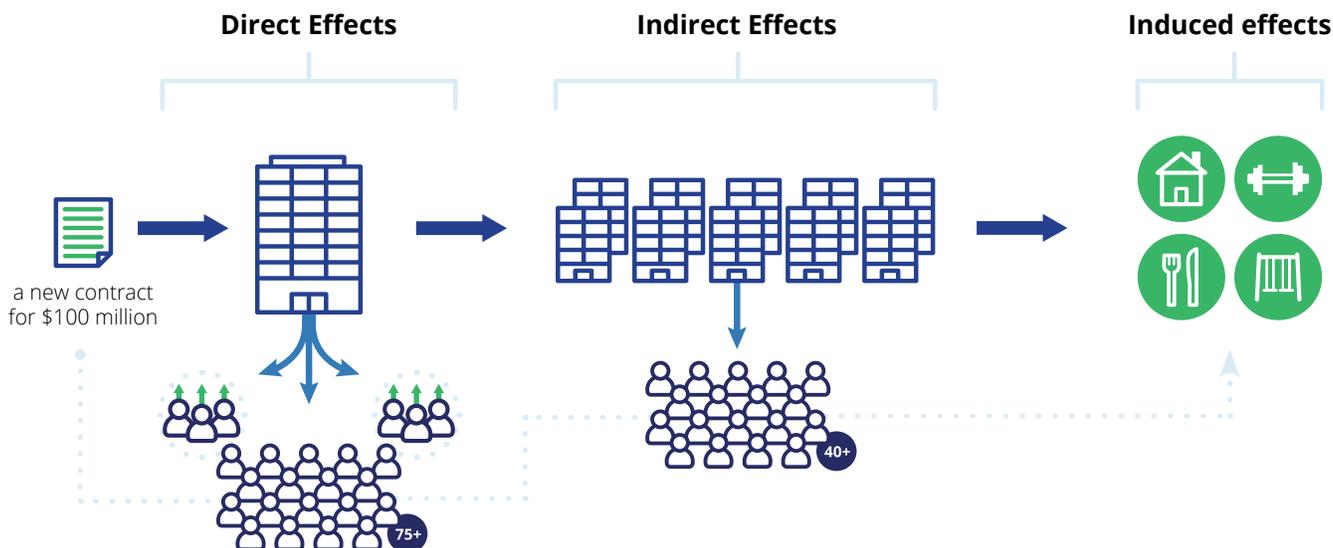
- **Direct Effects:** the money spent by businesses within a specific region, including, but not limited to, salary, materials, and operating costs.
- **Indirect Effects:** transactions between primary businesses and secondary businesses that are a direct result of the money spent by the primary businesses within the study. This cycle often continues down the supply chain.
- **Induced effects:** the increase in personal spending by the primary and secondary businesses' employees at local establishments within the specific region.

Let's review a simplified example to illustrate the economic sources and types of impact analyses.

Company ABC wins a new contract for \$100 million. As a result, they hire 75 new employees, they increase the wages within two departments responsible for the bulk of the work order, and they engage ten local businesses within their supply chain. These are a direct result of the economic injection into the primary business.

Those ten businesses hire an additional 40 employees and engage three additional local businesses to assist with their portion of the project. The cycle continues down the supply chain. This economic activity is an indirect effect of the primary business's activity.

The combined labor pool of 115 new employees all increase their spending at local establishments —they join a gym, eat out more, purchase a home or a vehicle, or enroll their children in various after-school activities within the defined region of economic study. This is the induced effect of the

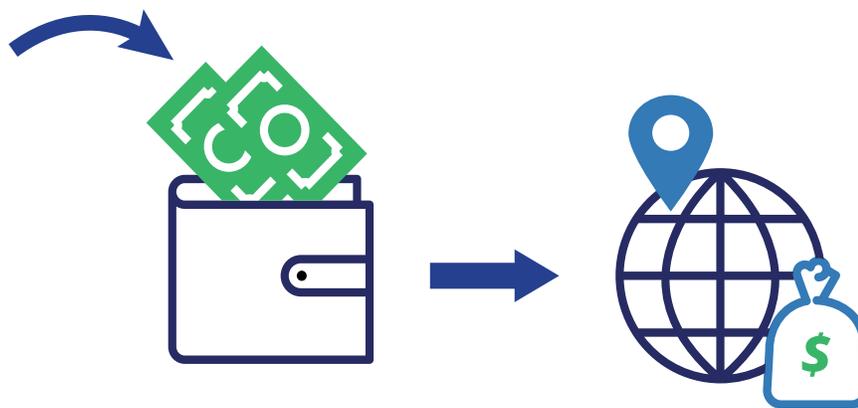


primary business’s activity, or the increase in household spending based on the economic injection of increased wages, etc.

The above information would allow an economic impact study to determine how much additional revenue will be pumped into a local economy over a period of time. It creates an understanding of how one industry impacts other industries within a defined region. It also gives parameters to determine the implications of job loss or creation and how those changes will impact a community—something called a multiplier effect.

### What is the Multiplier Effect?<sup>iii</sup>

The multiplier effect is a common economic development formula that determines how the change in income relates to the permanent change in the flow of spending. In other words, the multiplier effect refers to how an increase (or decrease) in jobs and wages impacts the money spent within the local economy. The higher the multiplier, the higher the potential impact. It acts as a continuous chain following an injection of money into an economy where one business’s spending is another business’s income.



An increase in jobs and wages impacts the money spent within the local economy.



# UNDERSTANDING ERIE'S ECONOMY

The Economic Research Institute of Erie (ERIE), a research center of the Black School of Business at Penn State Behrend, recently issued an updated Erie Leading Index (ELI) report on the general economic health of the Erie area.<sup>iv</sup>

Regarding the last quarter of 2018, ERIE concluded that “ELI remains stable despite decreases in Erie manufacturing employment...[and] the Erie economy continues to adapt to ongoing economic challenges posed by technological change, globalization, and attendant employment losses, especially in the manufacturing sector.”

While manufacturing is no longer Erie's top industry, it remains a staple, legacy industry, one with deep roots in the community. According to a January 2019 report issued by the Pennsylvania Department of Labor and Industry Center for Workforce Information and Analysis, manufacturing accounted for approximately 16% of Erie County's total employment—or approximately 19,000 jobs.<sup>v</sup>

Comparatively, the average number of manufacturing jobs throughout the state of Pennsylvania hovers around 10%. This results in Erie being more heavily impacted by shifts in the manufacturing industry—both in terms of its economic multiplier and overall economic health of the community.

To know and appreciate the potential within Erie County, it's essential to accurately assess Wabtec's economic impact on the local economy.



# AN ECONOMIC IMPACT STUDY: WABTEC AND ERIE

The following overview offers a high-level analysis of the economic impact of Wabtec and its facility in Lawrence Park. It outlines Wabtec's impact on the labor market, its impact on the Erie economy, and the company's impact on the greater Erie community

## **Wabtec's Impact on the Erie Labor Market and the Erie Economy**

In small communities with more focused economic interests, the appearance of one or two large employers can have an outsized impact—positive or negative—on the community at large. Wabtec's Erie facility—formerly part of GE Transportation—is a prime example of how a business (when operating competitively in the marketplace) can impact the opportunity for sustained, livable wages, desirable work requiring highly-skilled labor, and stable hourly and salaried employment throughout the local economy.

For the purposes of this economic impact study, the following data points are important to call out:

- Current salaried (non-union) workforce: 1,000 employees
- Current union workforce: 1,700 employees
  - Wage Range: \$31–\$41 per hour

**It's important to note that these positions are above-market wages. To be specific, the wages are twice the rate of wages across the county.<sup>vi</sup>** On average, a union employee makes \$35 per hour for an annual salary (and overtime pay) of \$85,000, in comparison to the median household income in Erie County of \$48,192.<sup>vii, viii</sup>

## **Wabtec's Multiplier Effect**

Our research has found that each of the 1,700 manufacturing jobs in Erie supports three additional jobs in the region—that's more than 5,100 jobs and a total economic impact of more than \$400 million.

When viewed holistically—accounting for all Wabtec hourly and salaried positions and including the indirect employment created as a result of its presence in Erie—Wabtec's total employment impact in Erie covers more than 6,800 jobs or about 6% of the entire county's workforce across all industries.

This impact is felt in industries beyond manufacturing. Specifically, industries such as Production, Sales, Healthcare Practitioners, Healthcare and Social Assistance, Office and Administrative Support, Accommodation and Food Services, and Retail are all heavily impacted by Wabtec's presence in Erie.



## **Wabtec and the Erie Community**

This study did not explore the full extent of Wabtec’s reach within community investment and thus the full economic impact of Wabtec’s community investment is not reflected in this report. That said, it is important to note that Wabtec has made a large capital investment in the Erie Facility for leading research and development offerings. Wabtec’s employees also contribute to various volunteer organizations throughout the community. A more detailed review could determine the exact impact of these efforts, if appropriate.

## **Conclusion**

Less than a decade ago, the facility in Erie was home to 5,000 employees at General Electric Transportation. Over the last several years, roughly 1,500 of those jobs were lost due to circumstances separate from Wabtec’s acquisition of the facility.

There is an opportunity for Erie’s facility to remain a viable operation for Wabtec and strong economic generator within the Erie region.

If Wabtec were to close the facility, the projected losses would be at least 6,800 jobs. This equates to \$400 million draining out of the Erie region – a significant loss to the local economy and Erie community.

**Do you own a business in Erie? Do you know your economic impact on the local economy? Contact the Chamber to learn more about economic impact reports and how to understand your business’s impact on the region.**

**Erie Regional Chamber & Growth Partnership**

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# APPENDIX

## Change in NAICS Railroad Rolling Stock Manufacturing, for Erie County

A removal of an estimated 1,700 jobs would result in an estimated 5,145 additional jobs lost.

The removal of the direct economic output would result in an estimated loss of \$400 million generated between the B2B and Household spending across all industry sectors.

### Totals

Employment		Economic Output	
Direct	Indirect	B2B	Household
-1,700	-5,145	-\$201,153,440.74	-\$197,450,814.10

### Job Loss by Sector

Below are breakdowns of that estimated job loss with the Railroad Rolling Stock Manufacturing loss included:

NAICS	Industry	Change In Jobs
11	Agriculture, Forestry, Fishing and Hunting	(13)
21	Mining, Quarrying, and Oil and Gas Extraction	(18)
22	Utilities	(14)
23	Construction	(268)
31	Manufacturing	(2,750)
42	Wholesale Trade	(270)
44	Retail Trade	(349)
48	Transportation and Warehousing	(261)
51	Information	(40)
52	Finance and Insurance	(204)
53	Real Estate and Rental and Leasing	(150)
54	Professional, Scientific, and Technical Services	(229)



NAICS	Industry	Change In Jobs
55	Management of Companies and Enterprises	(9)
56	Administrative and Support and Waste Management and Remediation Services	(325)
61	Educational Services	(177)
62	Health Care and Social Assistance	(680)
71	Arts, Entertainment, and Recreation	(127)
72	Accommodation and Food Services	(478)
81	Other Services (except Public Administration)	(295)
90	Government	(191)

SOC	Occupation	Change In Jobs
11-0000	Management Occupations	(342)
13-0000	Business and Financial Operations Occupations	(280)
15-0000	Computer and Mathematical Occupations	(83)
17-0000	Architecture and Engineering Occupations	(227)
19-0000	Life, Physical, and Social Science Occupations	(19)
21-0000	Community and Social Service Occupations	(66)
23-0000	Legal Occupations	(19)
25-0000	Education, Training, and Library Occupations	(161)
27-0000	Arts, Design, Entertainment, Sports, and Media Occupations	(131)
29-0000	Healthcare Practitioners and Technical Occupations	(305)
31-0000	Healthcare Support Occupations	(133)
33-0000	Protective Service Occupations	(70)
35-0000	Food Preparation and Serving Related Occupations	(460)
37-0000	Building and Grounds Cleaning and Maintenance Occupations	(216)
39-0000	Personal Care and Service Occupations	(260)



SOC	Occupation	Change In Jobs
41-0000	Sales and Related Occupations	(541)
43-0000	Office and Administrative Support Occupations	(805)
45-0000	Farming, Fishing, and Forestry Occupations	(7)
47-0000	Construction and Extraction Occupations	(297)
49-0000	Installation, Maintenance, and Repair Occupations	(350)
51-0000	Production Occupations	(1,578)
53-0000	Transportation and Material Moving Occupations	(488)
55-0000	Military-only occupations	0
99-0000	Unclassified Occupation	(7)

Demographics	Change in Jobs
Female 14-18	(68)
Male 14-18	(57)
Female 19-21	(117)
Male 19-21	(128)
Female 22-24	(144)
Male 22-24	(180)
Female 25-34	(480)
Male 25-34	(728)
Female 35-44	(472)
Male 35-44	(817)
Female 45-54	(497)
Male 45-54	(1,124)
Female 55-64	(468)
Male 55-64	(1,124)
Female 65-99	(160)
Male 65-99	(265)



## ENDNOTES

<sup>i</sup><http://corpslakes.usace.army.mil/employees/economic/glossary.html>

<sup>ii</sup><https://www.upjohn.org/services/regional-and-economic-planning/economic-impact-studies>

<sup>iii</sup><https://www.cbsnews.com/news/explainer-fiscal-policy-multipliers/>

<sup>iv</sup><http://eriedata.bd.psu.edu/sites/default/files/2019-04/ELI%2030.pdf>

<sup>v</sup><https://www.workstats.dli.pa.gov/Documents/County%20Profiles/Erie%20County.pdf>

<sup>vi</sup>Ibid.

<sup>vii</sup>Ibid.

<sup>viii</sup><https://www.bestplaces.net/economy/city/pennsylvania/erie>

<sup>ix</sup>Economic Analysis was conducted using IMPLAN [www.implan.com](http://www.implan.com)

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