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# State of the Local Economy

A Baseline Analysis of Mahaska County's Economy in 2014

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## Section 1: Introduction

This report is intended to be a baseline report for Mahaska County, as the community seeks to establish strategic plans for future growth and prosperity. As an economic development corporation, the Mahaska Community Development Group (MCDG) has produced this report with the intent to present a straightforward perspective on recent trends in the local economy. It is an unbiased portrayal of how this community has fared over the past decade.

### 1.1 Purpose

The purpose of this report is to provide understanding to community organizations, local leaders, and the populous as a whole. With a common level of understanding across the community, data-driven decisions can be made that move the region toward continued prosperity.

### 1.2 Timeframe

To understand the local economy today, it is first necessary to realize that Mahaska County is highly interconnected with the national and world economy. Events in New York, Washington, London, or Shanghai can have profound impacts on business in our community. With this interconnectedness, it is important to recognize that major shifts in the world economy have taken place since the 2008 financial crisis and subsequent recession. Additionally, if our county wants to continue to grow and prosper, the community will need to adapt to this new world.

With it now being five years since the worst of the recession, this report addresses two timeframes: ten and five years. First, this report looks at long-term trends to provide a broad perspective. Second, this report looks specifically at the past five years to evaluate how the local economy has performed since the recession.

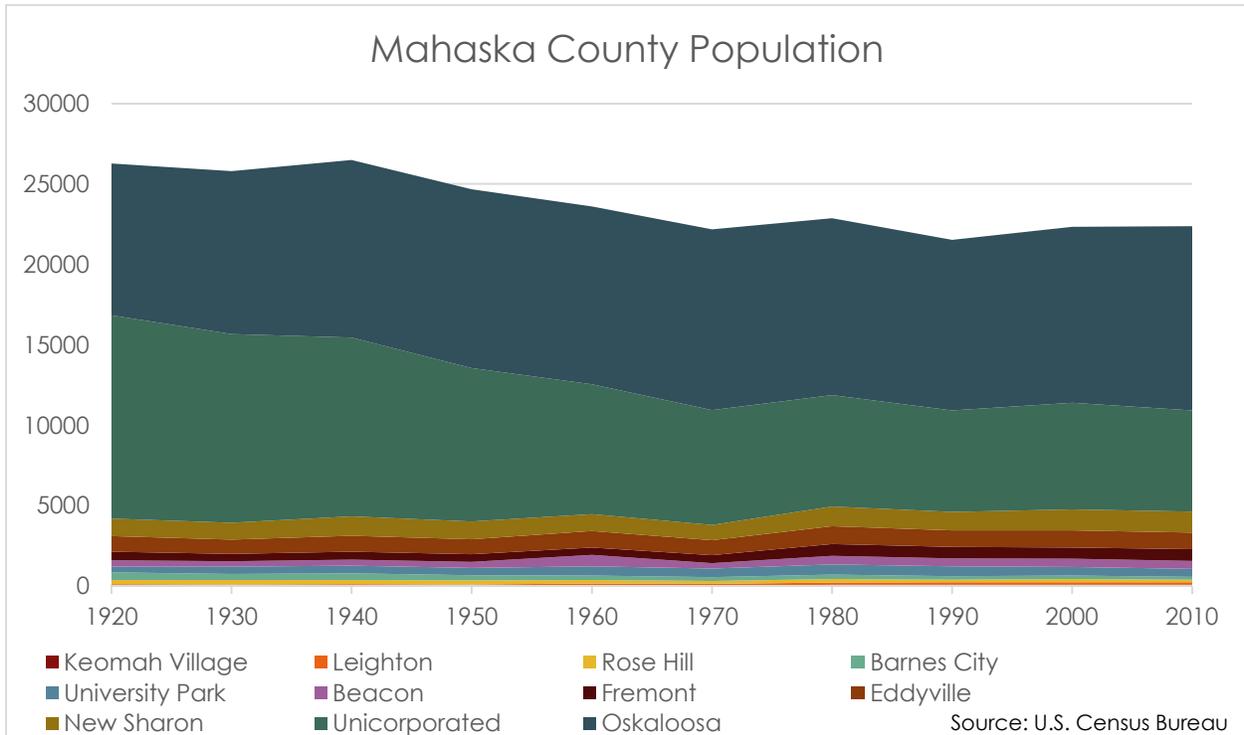
### 1.3 Assumptions and Limitations

The rationale for this report and the analysis that it presents are based on several underlying assumptions and limitations. They include:

- A community is either growing or dying. This report presents growth, whether jobs, investment, income, population, etc., as a positive indication.
- The reader has an understanding of basic economic theory. Extensive explanations are not provided within the report. For further explanation of the concepts and information within, contact Andrew Jensen, MCDG Executive Director ([ajensen@oacd.org](mailto:ajensen@oacd.org)).
- The issues addressed herein constitute the largest components of the local economy.
- Each issue addressed could be analyzed in exponentially more depth, but for the sake of brevity, only the broadest data sets are presented.
- The analysis in this report is done according to professional standards, but does not claim to be an academically rigorous study. Again, this report presents a simple and straightforward analysis of the local economy.

## Section 2: Population and Demographics

### 2.1 Mahaska County and Municipal Population



The Mahaska County population peaked in 1900 with a population of 34,273. Following the decline in the Iowa coal industry and consolidation in farming, the first half of the 20<sup>th</sup> century saw a steady decline in population for Mahaska County. Over the past 50 years, the county's population has remained relatively steady. Since 1960, most of the decline in population has occurred in unincorporated areas of the county, while the cities of Eddyville, New Sharon and Oskaloosa have seen an increase in population. The decrease in population in the unincorporated areas corresponds to decrease in number of farms, which occurred across the state and country over the past century. For example, in 1950 there were 2,461 farms in Mahaska County and an unincorporated population of 9,532. The most recent Census of Agriculture (2012) showed 1,012 farms in Mahaska County, while the 2010 unincorporated population was 6,287.

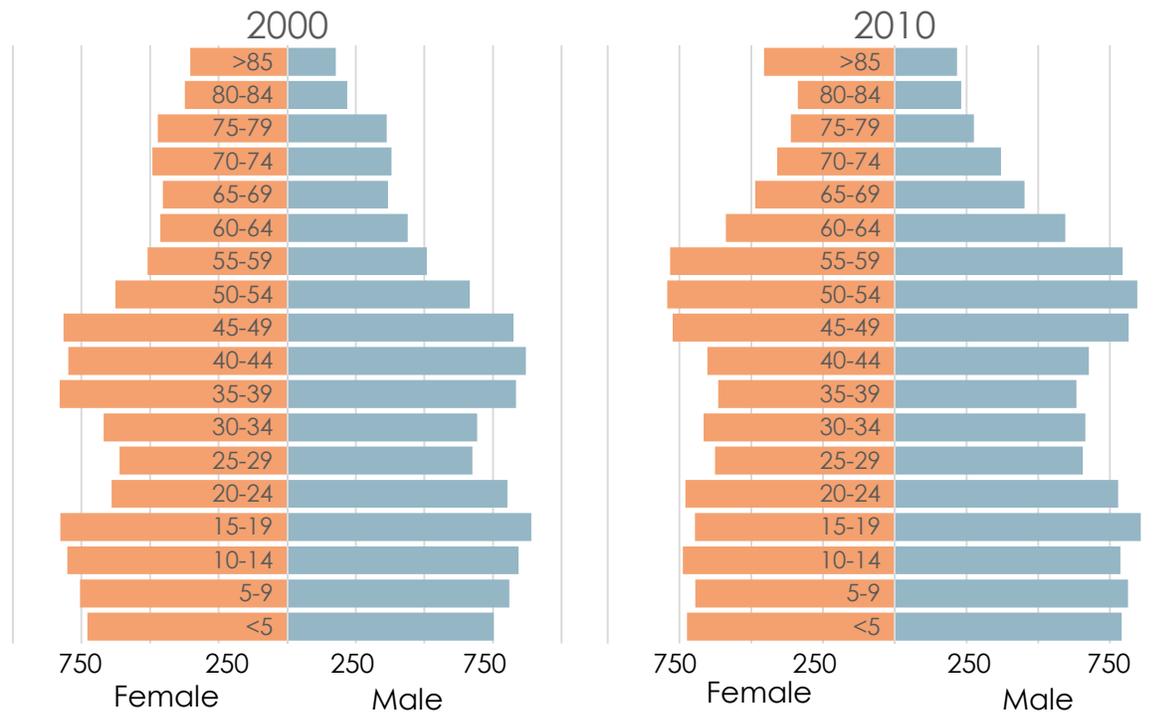
U.S. Census Bureau population estimates over the past three years show essentially no population change. The 2013 estimate showed an increase of approximately 0.1 percent for the county.

Geography	Pop. Est.	
	2010	2013
Barnes City	176	177
Beacon	495	485
Eddyville	1,025	1,011
Fremont	744	741
Keomah Village	84	85
Leighton	162	163
New Sharon	1,294	1,302
Oskaloosa	11,515	11,568
Rose Hill	168	169
University Park	487	488
Unincorporated	6,244	6,228
<b>Mahaska Total</b>	<b>22,394</b>	<b>22,417</b>

Source: U.S. Census Bureau

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## 2.2 Demographics



Source: U.S. Census Bureau

Mahaska County increased its overall population between 2000 and 2010, but the demographic cohorts tell a more complex story. The population increase is completely due to the natural change (births minus deaths). So, the county had more births than deaths in this time period. However, the county would have a greater population increase in this period had there not been a net outmigration of 81 people; more people moved out of the county than moved in.

The graphs above have a “pinched” or “hourglass” shape, which shows the predominance of the Baby Boomer generation, the smaller X Generation, and the larger Echo Boomers. This general shape of the graphs is common for rural areas across the country. This distribution of ages presents many challenges, such as an aging and eventually shrinking workforce.

In comparing the 2000 and 2010 data, it is possible to analyze the trend in demographic change by cohort. It is common in rural areas in the Midwest for young people to move out of the area following high school or college, and this is also the case in Mahaska County. Of people aged 15 to 24 in 2000, the county lost 572 (26 percent) of them by 2010. This rate of loss is actually not as large as many rural counties in Iowa. More striking is that in each age cohort, the number of people leaving the county outnumbered the people moving into the county. There were population losses at every age cohort, which emphasizes that any population growth in the county has been due to a fairly high birth rate.

## 2.3 Educational Attainment

On average, the educational attainment of the Mahaska County population over the age of 25 is slightly less educated than the state as a whole. The county has approximately the same

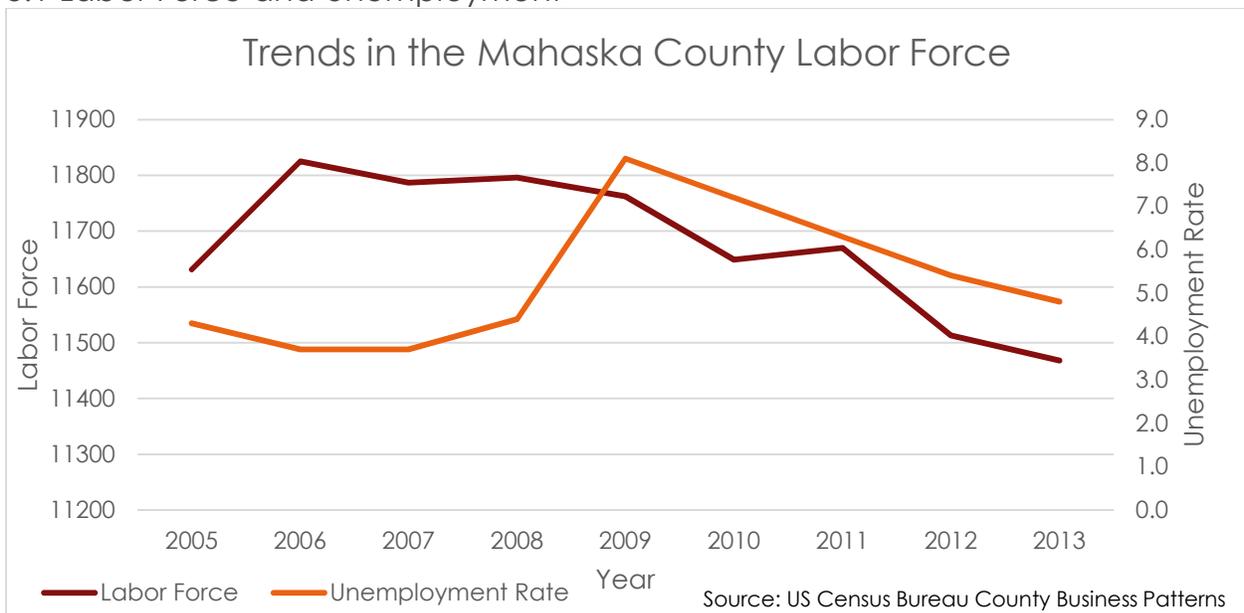
proportion as the state of people with at least a high school education, but a lower proportion of people with college degrees. From one perspective this reflects the prevalence of low- to mid-skill production jobs available in the area; but from another perspective this emphasizes the difficulties in growing businesses that require a highly educated workforce to fill knowledge-based, high-skill positions.

Educational Attainment	Iowa	Mahaska County
Less than 9th Grade	3.6%	2.7%
9th to 12th Grad, no diploma	5.4%	6.7%
High School Graduate	33.0%	38.8%
Some college, no degree	21.7%	21.1%
Associates degree	10.6%	9.8%
Bachelor's degree	17.7%	14.8%
Graduate or professional degree	8.1%	6.1%

Source: US Census Bureau

### Section 3: Employment

#### 3.1 Labor Force and Unemployment

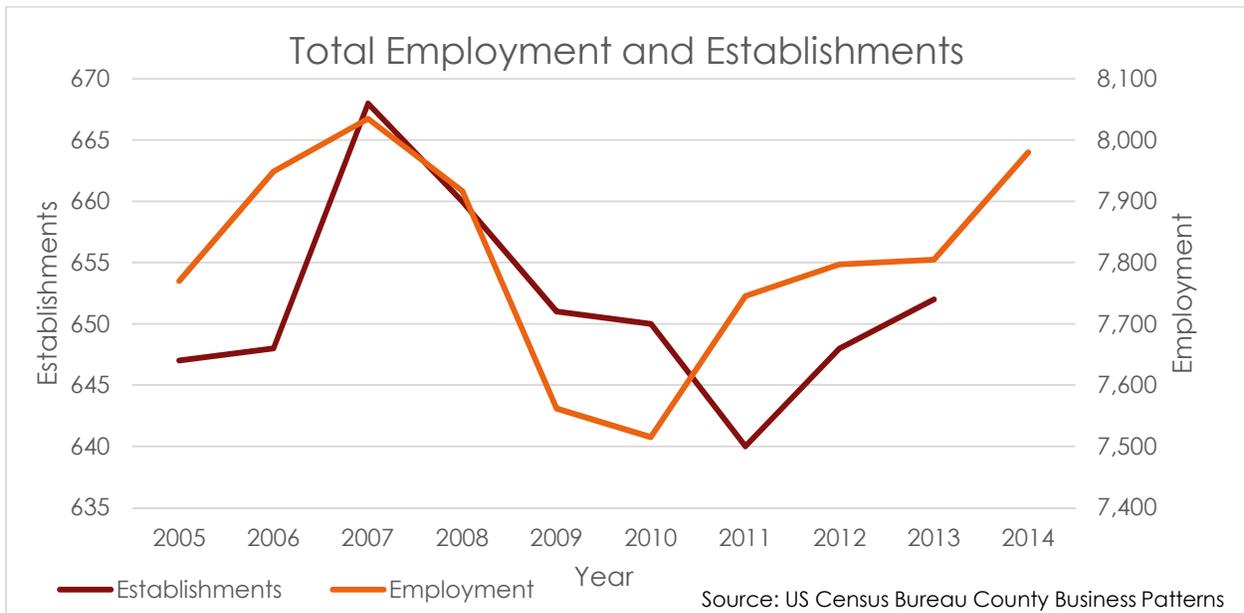


Mahaska County saw its apex in total labor force (11,825) and nadir in unemployment rate (3.7 percent) in 2006. This reflects trends seen across the country before the Great Recession. Unemployment peaked in 2009 at 8.1 percent, but has seen significant reductions of unemployment since that time. The latest monthly (July 2014) unemployment rate for Mahaska County was 4.6 percent. Although the recession certainly affected Mahaska County, the impact on unemployment was significantly less than in other parts of the country. Additionally the current unemployment is better than most areas of the country. Similar to other areas of the country, the total labor force in Mahaska County has been reduced dramatically since the

recession. For more information, see the 2013 Workforce and Economic Development Regional Status Report ([http://www.iowaworkforce.org/lmi/labsur/status\\_reports/statusreports.htm](http://www.iowaworkforce.org/lmi/labsur/status_reports/statusreports.htm)).

### 3.2 Establishments

The U.S. Census Bureau defines an “establishment” as “A single physical location where business is conducted or where services or industrial operations are performed.” The overall number of establishments in Mahaska County is approximately the same as it was in 2009, after reaching a low point of 640 in 2011. The total number of establishments is neither inherently good nor bad, but rather indicates trends in the local economy. When analyzed along with overall employment, it is apparent that the average number of employees in each establishment has increased. This data indicates that Mahaska County lost many of its smaller employers during the recession and that employment growth over the past five years has been with larger businesses.

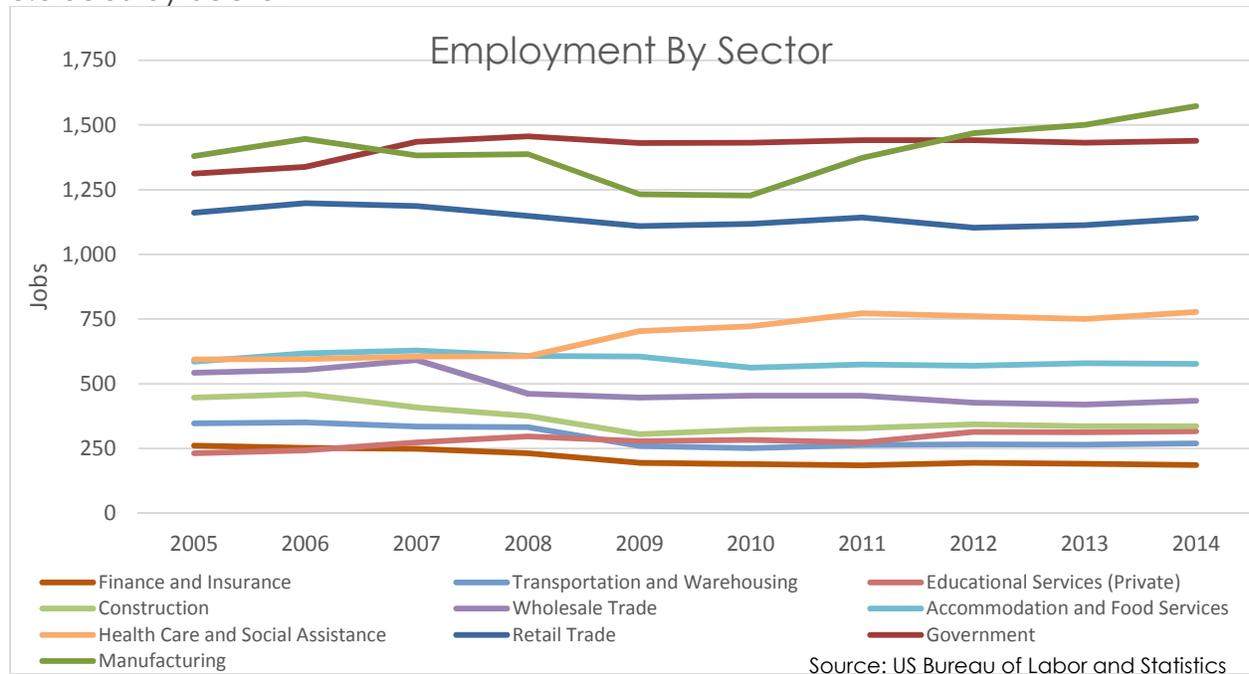


Although not shown graphically, several observations can be made through a closer look at the establishments and employment by sector. In 2013, the sector with the highest average number of employees per establishment (52 employees) was Educational Services (Private). The largest single employer in this sector is William Penn University, which currently employs approximately 225 people. With only six establishments within this sector and a total employment of 313, William Penn accounts for more than 2/3 of the employment, thus skewing the average employment number high much higher than the median.

The Manufacturing sector had the second highest average employment, with the average establishment employing 32 people. With many of the area's largest employers (e.g. Clow Valve Company, Musco Lighting, Co-Line Manufacturing, etc.) within this sector, it is not surprising that this sector would rank highly in this calculation.

The Retail Trade sector had the highest number of total establishments with 93, followed by Construction with 75. Interestingly, the Construction sector also has one of the lowest averages for number of employees per establishment at just 4.

### 3.3 Jobs by Sector



Over the past ten years, the total employment in Mahaska County increased to an estimated 7,980 jobs in 2014 from 7,770 in 2005. However, this total employment growth is far from the whole story. Before the recession, Mahaska County had a peak employment of 8,035 jobs in 2007. The ensuing recession resulted in the shedding of 520 jobs (6.5 percent of total employment) by 2010. Mahaska County's growth since the recession has led to a total employment near the peak 2007 employment.

Although the total employment is back near pre-recession levels, the sectors in which people are employed has changed. The ten largest employment sectors are Manufacturing, Government, Retail Trade, Health Care and Social Assistance, Accommodation and Food Service, Wholesale Trade, Educational Services (Private), Transportation and Warehousing, and Finance and Insurance. The figure above shows employment trends over the past ten years for the ten largest sectors by employment. As a caveat, these numbers do not include farm labor, which comprises a substantial portion of the local economy. Although the data is collected differently than the data above, there were 794 farm workers according to the 2012 USDA Census of Agriculture.

Although the composition of jobs by sector has changed, the employment mix is not radically different from before the recession. Manufacturing, Government, and Retail Trade continue to be the largest sectors by employment. Employment in the Health Care and Social Assistance sector has seen a significant increase starting in approximately 2008. Since the recession, much of the employment growth has been in the Manufacturing sector. The three sectors that have

lost the largest number of jobs in the past five years (Other Services; Management of Companies & Enterprises; and Information) are not shown on the graph because they are already smaller employment sectors of the economy. The sector with the fourth largest loss of employment since 2009 is Accommodation and Food Service.

At a national level, one of the over-riding post-recession stories about recovery in the job market has been that the jobs that were lost are not the same jobs now being created. In Mahaska County, this statement is also true, but for drastically different reasons. The nation as a

whole shed millions of well-paying manufacturing jobs during the recession and has largely gained back lower-paying service jobs. In contrast the four sectors that account for 86 percent of the jobs lost in Mahaska County since the recession are service sectors. Moreover, the Manufacturing sector has added 340 jobs during that time and is well above its pre-recession employment. These local employment trends are the reverse of national trends.

The table to the right show the concentration of jobs in Mahaska County relative to the nation in 2009 and in 2014. The table is sorted ascending from top to bottom by total employment in 2014 (e.g. there are significantly few jobs in Utilities than Manufacturing). A location quotient of 1.00 indicates the same proportion of jobs as the nation in that sector. A location quotient of less than 1.00 indicates a lesser concentration, and more than 1.00 indicates a higher concentration.

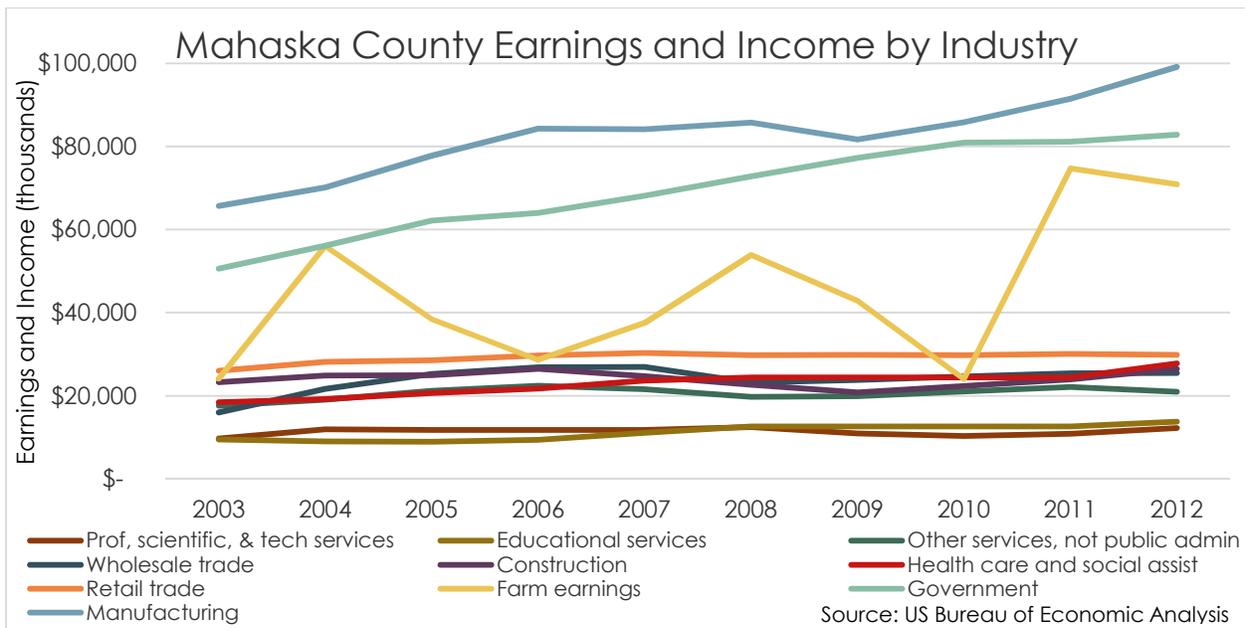
Notable changes in the concentration of jobs include a increases in Manufacturing (1.37 to 2.22), Wholesale Trade (1.17 to 1.27), and Transportation and Warehousing (0.93 to 1.06); and decreases in Accommodation & Food Services (0.93 to 0.79), Educational Services (Private) (2.28 to 2.02), and Professional, Scientific, & Technical Services (0.6 to 0.31).

Sector	Location Quotient	
	2009	2014
Mine, Quarry, & Oil/Gas Extraction	1.04	0.24
Real Estate & Rental/Leasing	0.52	0.31
Utilities	1.67	1.77
Management of Companies & Enterprises	0.64	0.46
Admin & Support & Waste Mgmt & Remediation Services	0.18	0.13
Information	0.90	0.76
Agriculture, Forestry, Fishing & Hunting	1.25	1.77
Arts, Entertainment, & Recreation	1.31	1.18
Prof., Scientific, & Tech. Services	0.60	0.31
Other Services (except Public Administration)	0.70	0.63
Finance & Insurance	0.39	0.56
Transportation & Warehousing	0.93	1.06
Educational Services (Private)	2.28	2.02
Construction	0.93	0.96
Wholesale Trade	1.17	1.27
Accommodation & Food Services	0.93	0.79
Health Care & Social Assistance	0.79	0.75
Retail Trade	1.20	1.27
Government	1.15	1.17
Manufacturing	1.37	2.22

Source: EMSI Industry Data, 2014

## Section 4: Earnings and Income

The graph on the following page shows the trends in total earnings and income by industry over ten years. Total inflation-adjusted earnings increased by 25 percent between 2003 and 2012. Between 2008 (the peak earnings year before the recession) and 2012, total inflation-adjusted earnings increased by approximately five percent. Manufacturing has seen an annual growth rate of approximately nine percent since 2009, the fastest growth of any sector. Government grew steadily from 2003 to 2010, but has leveled off since then. Farm earnings are the third largest sector and reflect the fluctuations in commodity prices. Recent years have been particularly good for farmers, but current commodity prices are down substantially from previous years.



## Section 5: Industrial Sectors

This section explores in more detail three of the largest industrial sectors: Manufacturing, Agriculture, and Retail. Combined, these sectors account for over 3,500 jobs and nearly \$200 million in annual earnings and income. Housing is also addressed at the end of this section.

### 5.1 Manufacturing

Manufacturing accounts for approximately 20 percent of the county's employment and over 22 percent of the earnings and income. This industrial sector has among the highest average pay of all sectors, and as previously stated, has one of the highest number of employees per establishment.

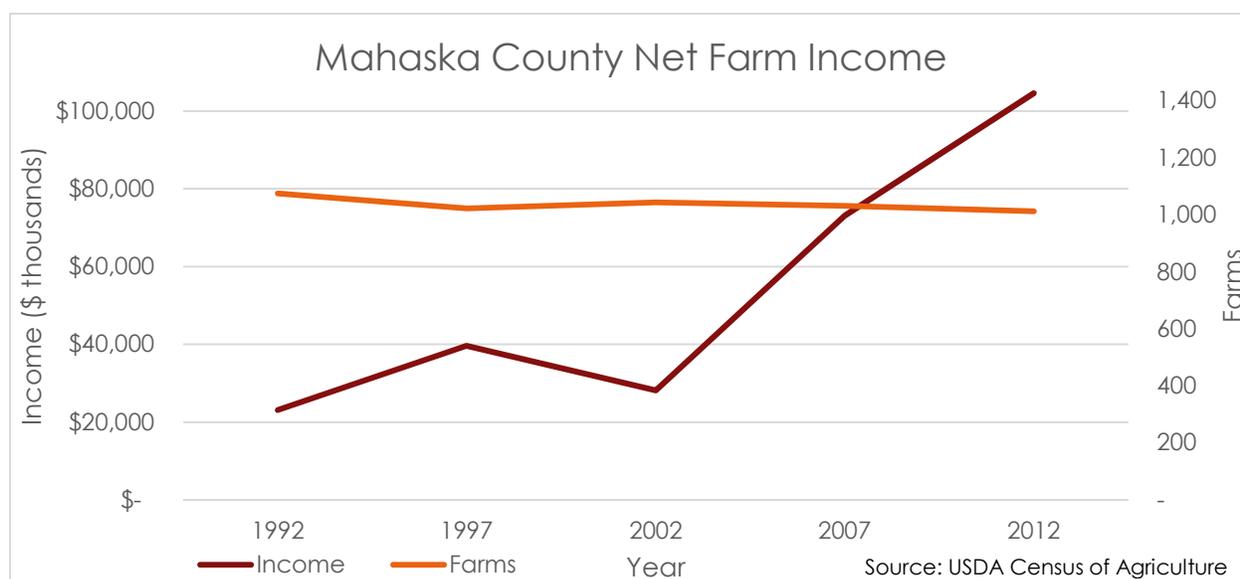
Many of the goods produced by local manufacturers are exported to buyers outside the area. Exports are defined as goods and services sold outside the region to foreign or external domestic buyers. According to Export Base Theory, these exports are what bring in revenue to the county from outside sources, and in turn support resident-serving industries. The EMSI data model placed

the latest annual (2012) export sales at \$1.047 billion. Of the total export sales, Manufacturing accounted for approximately 42.9 percent of all exports. Government account for 11.1 percent of exports, and Agriculture, Forestry, Fishing, & Hunting account for approximately 10.4 percent.

These goods produced locally and sold outside the county are not just going to all 50 states across the county, but many of the products are being exported internationally. According to a recent survey of manufacturers, their goods produced in Mahaska County are exported to over 30 countries and six continents.

## 5.2 Agriculture

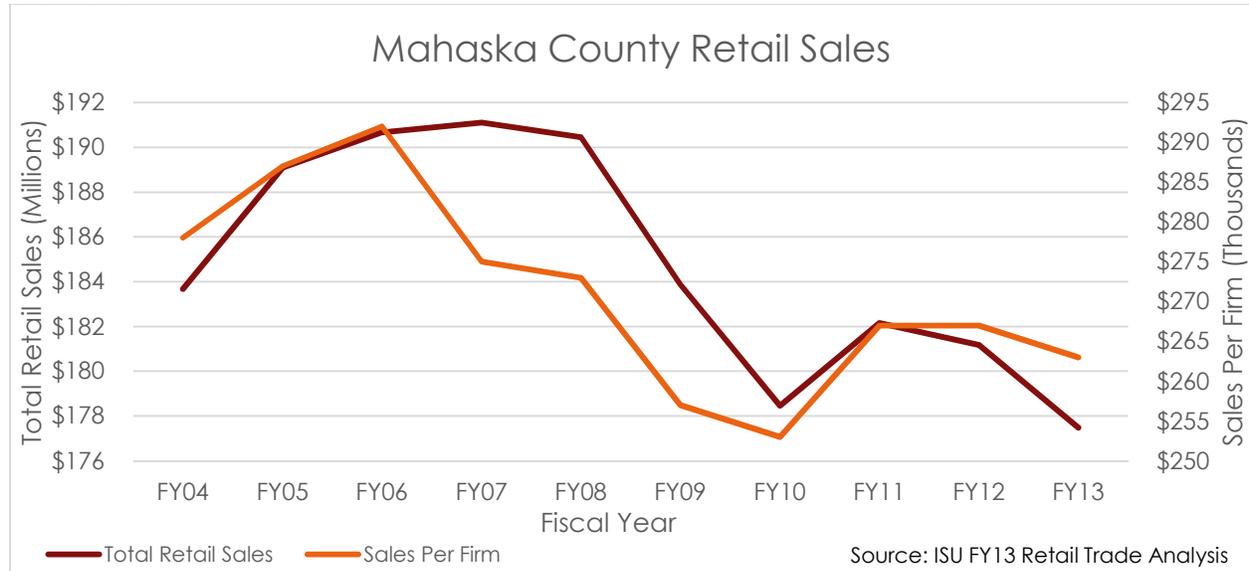
Similar to the state as a whole, Mahaska County has a strong agricultural base. Of Mahaska County's total land area, nearly 67 percent is harvested cropland. As previously discussed, the farm sector is the third largest in terms of income, and fourth largest in terms of jobs. Despite the strong agricultural presence in Mahaska County, the total number of farms has decreased dramatically over the past half century. Industrialization and consolidation that has occurred across the Midwest has certainly also occurred in Mahaska County. This trend continues up through today with the total number of farms at its lowest point since the USDA began its Census of Agriculture. Between 1992 and 2012, the county has lost approximately six percent of its farms. Although the number of farms has decreased, the total acreage of harvested cropland has remained virtually unchanged, which also indicates consolidation to larger farms. From the employment perspective, total hired farm labor decreased from 880 to 794 workers between 1992 and 2012. For more information on farming in Mahaska County, see the 2012 USDA Census of Agriculture (<http://www.agcensus.usda.gov/Publications/2012/>).



Over the same time period, net farm income has risen dramatically. The graph above shows net farm income unadjusted for inflation, which admittedly overstates the increase. That stated, a comparison using numbers adjusted for inflation still shows a threefold increase in net farm income between 1992 and 2012. Also as previously discussed, the net farm income is impacted

by the variability of world commodity prices, and although 2014 is expected to be an abundant year for crop production, crop prices are down substantially. The upshot will likely be a decrease in net farm income despite a bumper harvest.

### 5.3 Retail



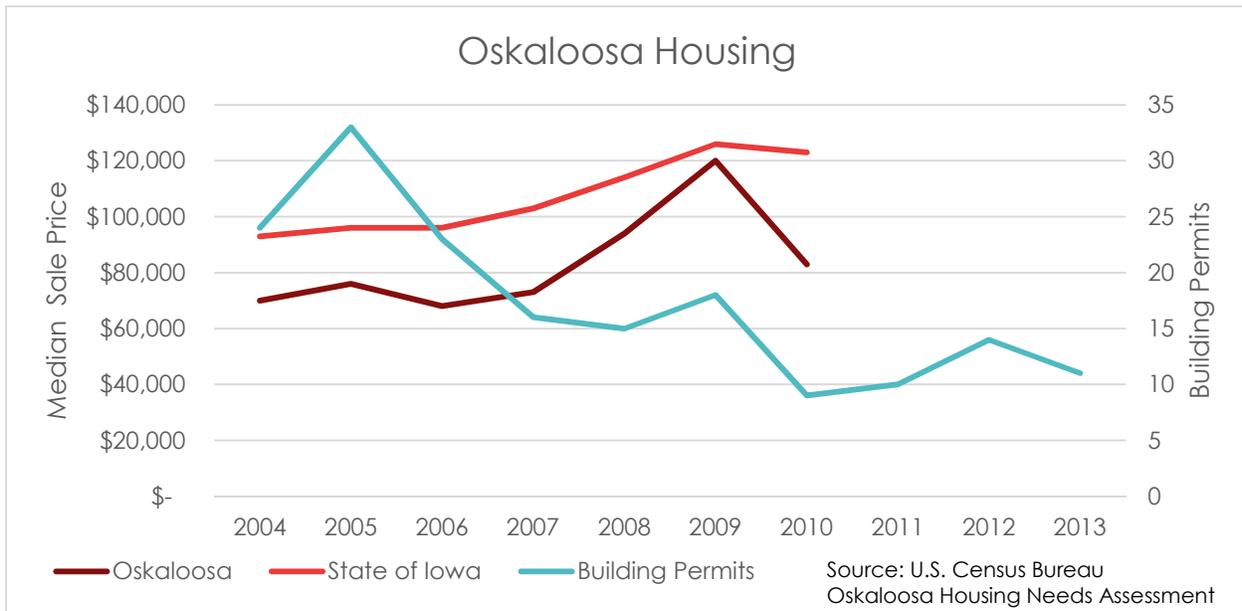
The Retail sector comprises approximately 14 percent of the county's total employment and just short of seven percent of the county's income and earnings. Although retail contributes substantially to the local economy, total retail sales in the county are at their lowest point in the past ten years, and have decreased 7.1 percent from the high point in 2007. With a steady population over the past several decades, this indicates a decrease in overall retail sales per capita. Additionally, the retail sales per firm has decreased over the same time period, as depicted in the graph on the following page. This indicates that the decrease in sales is not simply due to stores closing, but also from a decrease in sales for stores still open.

Even with the decrease in sales, Mahaska County has a retail "pull factor" of greater than 1.0, which indicates its retail sales are satisfying more than just local demand and "pulling" shoppers from other areas. Much of this "pull factor" comes from the City of Oskaloosa, which has 52 percent of the population, 71 percent of the retail establishments, and 90 percent of the retail sales in the county. Although the county is drawing in outside shoppers, its pull factor is below the median of other micropolitan counties in the state. For more information on retail sales, see Iowa State University's FY2013 Retail Trade Analysis Report ([http://www.icip.iastate.edu/sites/default/files/retail/retail\\_19123.pdf](http://www.icip.iastate.edu/sites/default/files/retail/retail_19123.pdf)).

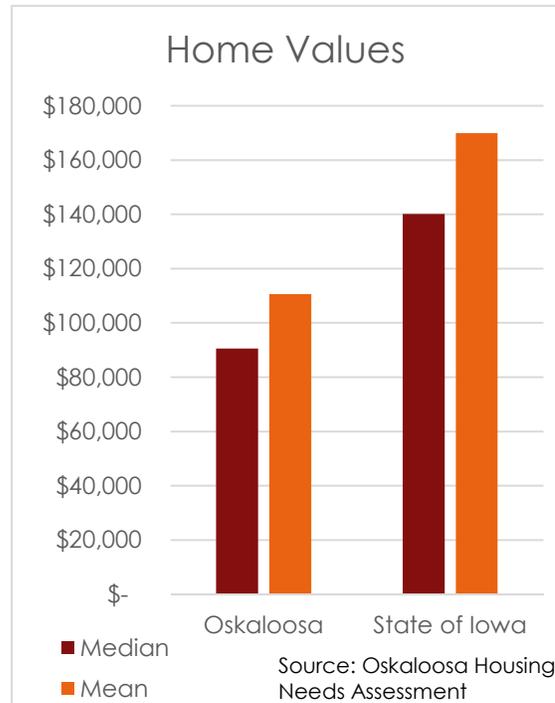
### 5.4 Housing

Housing per se is not an industrial sector of the economy, but it is a critical aspect of it. Nationwide, new housing starts is often used as an indication of overall economic performance. Since new home construction has not been a large part of the local economy, housing starts is not entirely indicative of overall performance. However, the availability of quality housing in Mahaska County is a significant factor in the ability to recruit and retain high-performing workers

and their families. In this section, Oskaloosa housing data is used because it has the most complete data set. For more complete data, see Oskaloosa's 2012 Housing Needs Assessment.



The graph above shows trends in the Oskaloosa housing market over the past ten years. The median sale price has remained well below the state median. Interestingly, when the median price was at its peak in 2009, Oskaloosa also had its fewest number of home sales (not shown in the graph). Sale prices from 2011 to 2013 were unavailable at the time of this report. Over the past ten years, the number of residential building permits has declined to approximately one-third of the peak in 2005. This data appears to support concerns expressed by employers about their current and prospective employees being able to find quality homes available in the area.



The median and mean home values in Oskaloosa are significantly below that of the entire state. This disparity also exists when comparing only to peer cities in the state. Lower home values indicate lower quality homes and a lower available residential property tax base.

## Section 6: Conclusions

- Mahaska County continues to grow and is a great place for businesses.
  - A low and decreasing unemployment rate coupled with growing overall income points toward a continued income growth for Mahaska County residents.

- Many of the major local employers are locally owned businesses with deep roots in the community.
- The county has a diverse economy and growth in sectors that counter national trends. With strong exporting bases in Manufacturing and Agriculture, the county draws revenue from outside the county.
- Although the population is far from its peak more than a century ago, Mahaska County's population continues to grow. Particularly in comparison to peer counties across the state, Mahaska County is doing better than most.
- Mahaska County has improvements it needs to make and issues it needs to address in order to remain competitive.
  - Over the next decade, developing a labor force to support our existing industries will be of increasing importance, especially as Baby Boomers reach retirement age.
  - Supporting services and amenities need to be expanded and developed. This will be important to support existing businesses and to attract new workers, residents, and businesses.
  - Existing and future housing needs will have to be addressed in order for the area to grow. Both the overall quantity and quality will need to be improved in order to attract families to the area and to increase the residential property tax base.
- Opportunities abound for area residents and businesses.
  - Each of the areas identified for improvement is also an area for new opportunities. As our economy and population continue to grow, people interested in starting and growing businesses have many opportunities in Mahaska County to build new products, expand markets, and achieve their potential.

## Data Sources

EMSI Industrial Data. 2014. Provided by MidAmerican Energy's Economic Advantage Program.

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