A Profile of the Diversified South Carolina Economy

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Local Government Funding System Reform Project

Dr. Donald Schunk and Dr. Douglas Woodward

Division of Research
The Darla Moore School of Business
The University of South Carolina
Columbia, SC 29208

(803) 777-2510

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Introduction

Economies throughout the world differ greatly in terms of their structure and performance. However, one characteristic that is common to all is the dynamic nature of the economy. An economy does not exist in a static world. Changes in the local, national, and, to an increasing extent, global economic environment lead to profound changes in the way an economy provides for the well-being of its population.

The economy of South Carolina is no different. The state's economic structure is currently in the midst of a fundamental transition. This current transition consists of a nationwide gradual shift away from manufacturing and towards service and trade industries. This most recent transition began in the 1970s, and has affected South Carolina to a large extent. During the course of the twentieth century, South Carolina had developed into one of the most industrialized states in the nation, initially driven by a booming textile mill industry. As many of the state's manufacturing industries adjust to global competition, it is of utmost importance for future economic progress that the overall state economy adapts smoothly to this changing landscape.

The purpose of this report is to detail the nature of this economic transition in South Carolina. Specific attention is paid to differences in the extent to which this structural change is affecting the regional economies across the state. Overall, the major theme that evolves is twofold. First, *the state as a whole has seen a rapid and profound change in the structure of the economy*. Second, *this change has had vastly different impacts in regions across the state*. While some areas appear well suited to smoothly adapt economically, many other areas are faced with the prospect of slow economic progress in the years to come.

The remainder of this report is organized as follows. Section 2 places the current transition to a new economic era in historical perspective by reviewing the economic history of South Carolina. This historical review focuses on the past determinants of structural change as well as how successful the state has been in evolving to meet the needs of each new era. Section 3 focuses on the changing structure and performance of the South Carolina economy over the last three decades. Here, broad statewide trends are presented to provide a picture of the evolving economy from 1970 to the present. Section

4 examines similar indicators of economic structure and performance at the regional level. Dissecting the state into eight regions, we see that substantial differences emerge in terms of how smaller areas of the state have been affected by economic change since the early 1970s. Section 5 summarizes the findings and provides some insight into the challenges the state faces as it enters the 21st century.

2. A Brief History of the South Carolina Economy[1]

The South Carolina economy is currently in the midst of a historic shift away from manufacturing towards the service and trade sectors. However, this fundamental change is just the most recent in a history of significant economic transitions in South Carolina. The purpose of this section is to provide an overview of past significant structural changes in the state. Four major economic eras from South Carolina's past will be reviewed: the rice economy, the cotton economy, the textile economy, and the manufacturing economy.

In the middle of the 17th century, the founders of Charleston searched for a crop that could grow in South Carolina's climate and soil, and be profitably exported. Earlier crop experiments included tobacco, silk, wine, cotton, and indigo. Through continued experimentation, the early 1690s brought to the region a viable rice crop.

The early 1700s saw an expanding European market for South Carolina's rice exports. Through the mid-eighteenth century, rice exports leaving Charleston boomed. At the turn of the century, annual exports of rice averaged 0.4 million pounds. By the early 1720s, annual exports had risen to 8.3 million pounds, increasing further to 33.9 million pounds per year during the 1740s. However, several European wars and depressed rice prices led to a concern that South Carolina had become too reliant on the single crop. This concern led to the development of indigo as a second major crop for export.

The new indigo crop quickly supplanted rice as the dominant and fast growing export crop. From the late 1760s to 1791, annual exports of rice fell from 68.8 million pounds to 63.9 million. Meanwhile, indigo exports exploded by 76.1 percent between the late 1760s and the early 1770s. The combined effect of rice and indigo exports during the 'rice economy' era led to rapid development around Charleston, with considerably less settlement into the inland areas.

During the height of the rice economy, a new economic era based on manufacturing was being ushered in throughout England. The industrial revolution led to

[1] The material in this section draws from "Historical Overview" by William H. Phillips, published as the first chapter in *South Carolina: An Economy in Transition*, Division of Research, The Darla Moore School

a British textile industry that could mass produce yarn and cloth with a low-skilled labor force and at substantial cost reductions over traditional methods. This translated into rapidly rising British demand for raw cotton.

The 'cotton economy' of South Carolina began in the coastal regions, where cotton was relatively easily grown. However, the invention of the cotton gin allowed a wider variety of seeds to feasibly meet the British demand. This allowed cotton production to spread across the state. As demand continued to rise, more and more farmers found it profitable to substitute away from rice and indigo and into cotton. By the nineteenth century, exports of both rice and indigo were on the decline, while the cotton production boom began in the late 1790s. Because of the spread of cotton into South Carolina's upstate, and the growth of even more markets, now including England, the European continent, and New England, cotton production jumped from 1.5 million pounds in 1791, to 20 million pounds by 1801, and reached 168.6 million pounds as of 1859.

As the 19th century progressed, cotton production spread westward, throughout the Southeast. This increase in supply led to falling prices, though the state of South Carolina remained relatively wealthy. While the average level of per capita income in the state was roughly 60 to 65 percent of that in the northern states, a significant portion of the state's population were slaves, which were fed, clothed, and housed at a subsistence level. Thus, in spite of the overall statistics, the average white resident of South Carolina enjoyed a standard of living equal to those in the northern states.

On the eve of the Civil War, South Carolina was a wealthy state with a strong cotton economy. During the war years, two events emerged which had a dramatic impact on the South Carolina economy, one directly related to the war, the other purely coincidental. First, the state suffered a tremendous, albeit one-time, destruction of physical and human capital. While this clearly posed a disastrous impediment to economic progress, the state was able to recover over time and rebuild its capital base. Had it not been for the second major event, a change in the global economy, South Carolina could have returned to its successful cotton economy.

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of Business, The University of South Carolina, 1987.

During the time of the Civil War, there was a dramatic slowdown in British cotton demand. As the textile industry matured, its rapid replacement of traditional methods naturally slowed. While the industry was still growing, its rate of growth slowed to match the relatively natural growth of population and incomes. The drop in demand growth, coupled with the tremendous cotton supply coming from the Southeastern states, led to falling prices. As poor conditions persisted for South Carolina's cotton producers, no viable alternative crop could be found. The now relatively stagnant cotton economy remained until the end of the 19th century, as industrialization reached the state.

The textile economy era began around 1880 as cotton mills spread through South Carolina's upcountry. In 1880, 14 mills employed 2,100 workers. In just ten years, cotton mill employment increased by 6,000 as jobs in the state's 44 mills numbered 8,100. During the early 1900s, the American textile industry shifted from New England to the South, with South Carolina and North Carolina becoming the center of the nation's textile sector. In 1930, 239 mills in South Carolina employed 94,800 workers, roughly 75% of all industrial workers.

The success of textiles in South Carolina was due to the availability of cheap power along the state's rivers and to the region's low wages. At the beginning of the textile mill boom, the going wage in South Carolina was roughly half of that in the New England region. The industry at that time was able to avoid unionization. That lack of unionization has carried through to today, and has worked to keep the state relatively attractive to manufacturing firms. At the same time, the lack of unions has kept incomes relatively low.

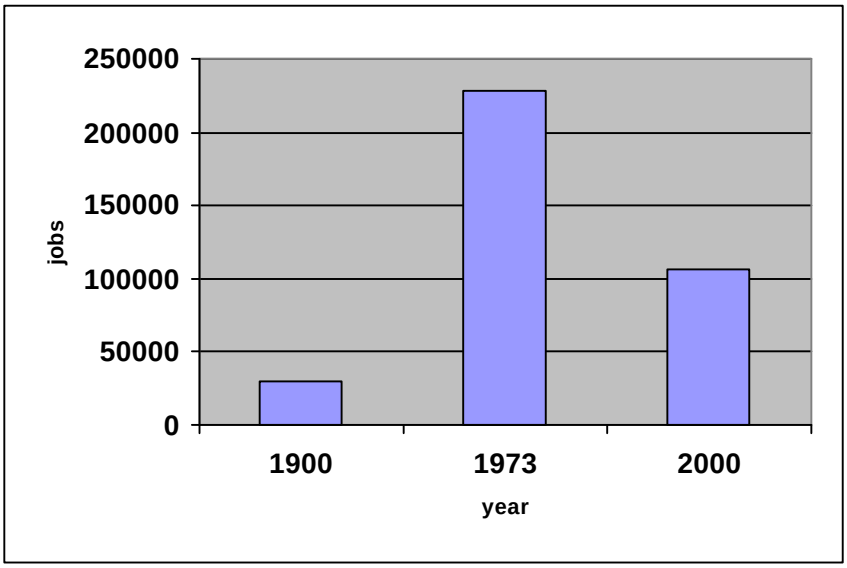
The first hint of a disruption to South Carolina's strong textile economy was the rise of Japanese imports in the 1950s. In order to maintain its competitive edge, the state committed to improving public education. The resulting education and labor-skill improvements, coupled with the continued low manufacturing wages, made the state attractive to other manufacturing industries.

The manufacturing economy began in the 1940s, as the state's industrial base started to diversify. The fast growing industries at that time were chemicals and apparels. Since that time, the state's manufacturing base has seen growth spread to the durable

goods sector, and the state continues to enjoy thriving durable good industries, driven recently by the location of a network of automotive-related producers.

As South Carolina's industry diversified, the textile and apparel industries saw declining employment from the 1970s to the present, as shown in Figure 1. Two major factors have driven this employment decline. First, import competition has escalated since the 1970s, leading to the exodus of jobs to other regions and nations with relatively cheaper labor costs. Second, increases in productivity have allowed these industries to

Figure 1. South Carolina Textile and Related Employment



continue to produce a constant or rising level of output with fewer and fewer workers.

During the past three decades, South Carolina has been in the midst of yet another fundamental economic transition. The state has seen the share of employment in manufacturing fall dramatically, with an equally dramatic rise in the service and trade sectors. The transition to the new diversified economy marks the beginning of South Carolina's fifth major economic era in roughly the last 300 years. In the past, the state has handled the transitions incredibly well, except for the relatively slow entrance into the textile economy. The continued economic progress of the state depends critically on how

well the state deals with the current transition. It is of importance, then, to understand the nature of this emerging economy, and how well the state as adapted to it so far.

3. The South Carolina Economy Since 1970

As South Carolina has entered the diversified era, the state has shifted away from a manufacturing-intensive employment base to one in which the service and trade sectors are the primary employers. As seen in Figure 2, in 1970, manufacturing industries accounted for 28.9 percent of all full- and part-time jobs in the state. Driven by the sharp decline in the textile and apparel industries, manufacturing jobs made up just 17.3 percent of total employment in 1997, as shown in Figure 3. Meanwhile, service and trade employment has exploded. Service and trade employment accounted for 16.2 percent and 14.8 percent, respectively, of all full- and part-time jobs in 1970. In 1997, these nonmanufacturing industries were clearly dominant, with services totaling 24.7 percent of all jobs and retail and wholesale trade jobs representing 22.4 percent of total employment.

Two major explanations for this structural shift are the maturing of the manufacturing industries, and shifts in demand as incomes continue to grow rapidly. As industries age, the production technology tends to become more standardized and spreads

Figure 2. South Carolina Employment by Sector, 1970

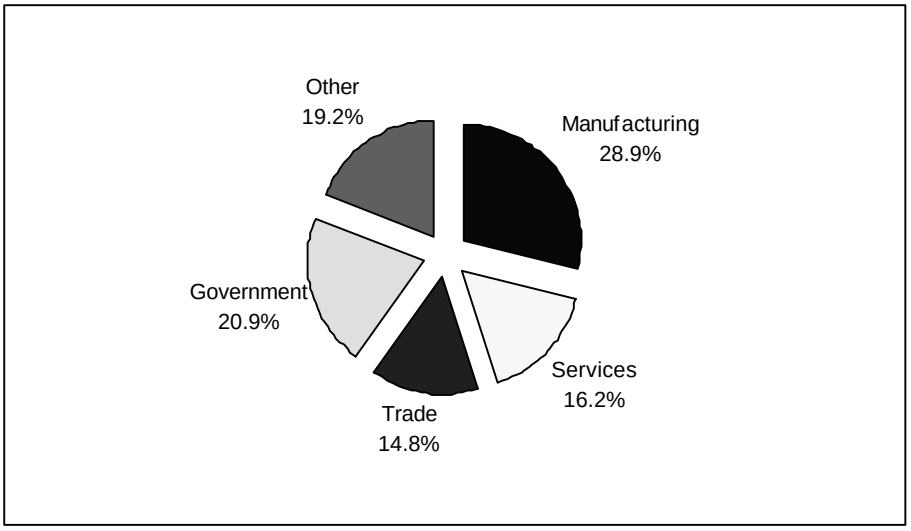
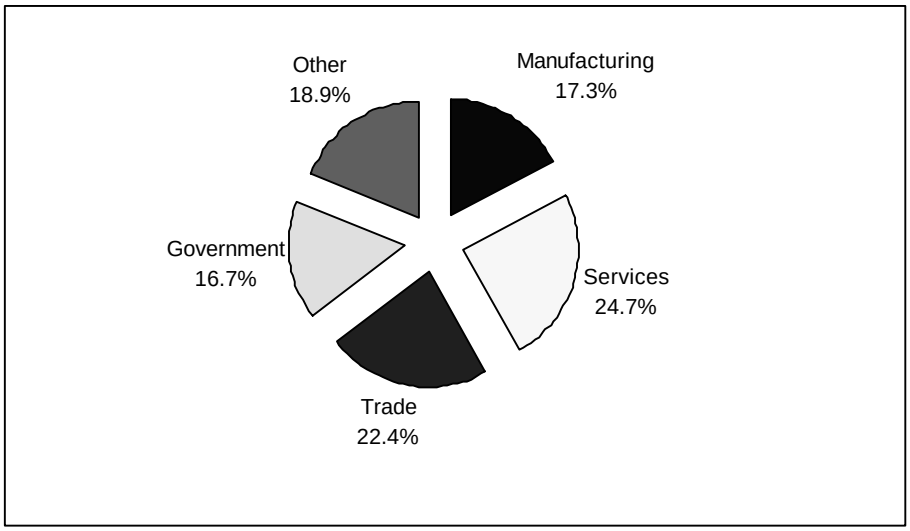


Figure 3. South Carolina Employment by Sector, 1997



geographically. Because of this, production tends to migrate to new locations with lower input prices, especially lower labor costs. Therefore, some of the relative decline in South Carolina's manufacturing sector is due to the loss of manufacturing jobs to other regions and nations. In addition, as the industry matures, it may also enjoy large productivity gains, further depressing the level of employment needed in manufacturing. This has been particularly important to the textile industries.

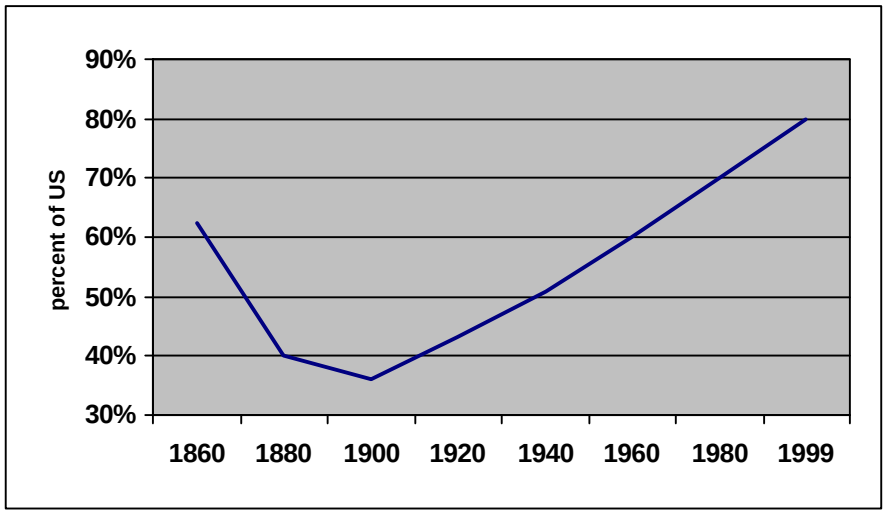
Second, as consumer incomes have seen tremendous growth in recent years, there have been relatively small increases in the demand for many types of consumer goods. In particular, the demand for nondurable goods tends to be relatively income inelastic, such that increases in income lead to proportionately small increases in demand. On the other hand, the demand for services tends to be relatively elastic. That is, an increase in consumer income can result in a relatively large increase in the demand for, for example, entertainment, legal, or computer-related services. Indeed, the widespread adoption of computer technology has opened up entirely new careers in the service and trade sectors.

During this period of structural change, South Carolina has made tremendous economic gains. In 1970, South Carolina's per capita income was $3,032, just 73.9

percent of the national per capita income of $4,103. By 1998, per capita income in the state had risen to $21,387, representing 80.8 percent of the national figure of $26,482. As is clear from Figure 4, South Carolina, which was dealt a devastating economic blow during the Civil War, has continued its long march to economic prosperity.

The remainder of this section further explores the performance and changing structure of the South Carolina economy over the last three decades. In particular, a set of broad and consistent indicators including population growth, employment growth, employment by sector and per capita income will be examined at the state and sub-state level.

Figure 4. South Carolina Per Capita Income Relative to the US



Population

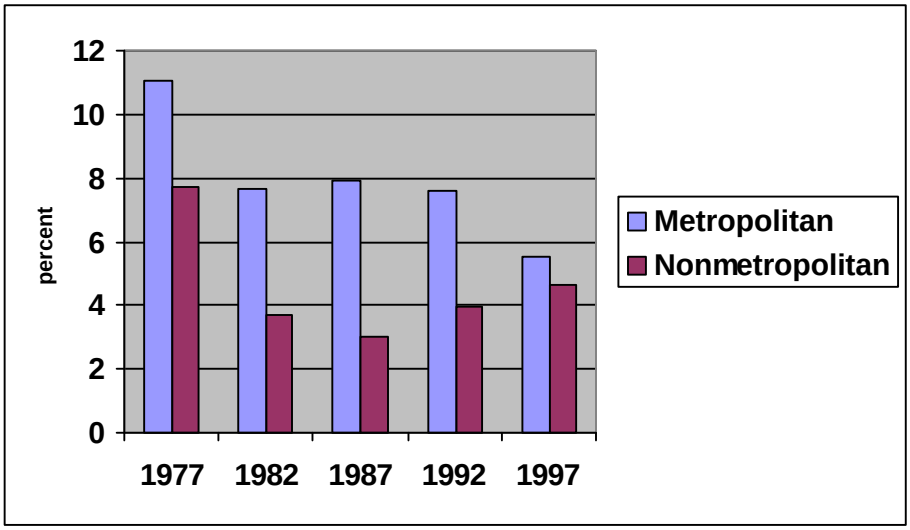
The population of South Carolina has been growing at a steady pace of just over 1.0 percent per year since the late 1970s. In 1997, 70 percent of the state's population resided in one of the state's eight metropolitan areas.[2] The most heavily populated areas

[2]As defined by the U.S. Office of Management and Budget, the eight Metropolitan Statistical Areas which lie fully or in part within South Carolina are: Augusta-Aiken, Charleston, Charlotte, Columbia, Florence,

are the three major metropolitan areas of Charleston, Columbia, and Greenville-Spartanburg-Anderson (GSA). Over 1.9 million people live in these three areas, representing approximately 51 percent of the state population.

In addition to being the most heavily populated areas of the state, the metropolitan areas have consistently grown faster than the nonmetropolitan areas. As shown in Figure 5, in each five-year period between 1972 and 1997, the metro areas outpaced the nonmetropolitan areas in population growth. However, in recent years the trend has been towards convergence in metro and nonmetro area population growth. For the five-year periods ending in 1982, 1987 and 1992, metro area population growth exceeded 7.6 percent while nonmetro growth fell short of 4 percent. Between 1992 and 1997, population growth in the denser metro areas slowed to 5.5 percent, while the sparse nonmetro areas recorded population growth of 4.6 percent. As rapid population growth increasingly burdens the infrastructure of the metropolitan areas, some nonmetropolitan

Figure 5. Five-Year Population Growth, Metro vs. Nonmetro Areas



Greenville-Spartanburg-Anderson, Myrtle Beach and Sumter. Throughout, references to the South Carolina MSAs imply only the South Carolina counties included in the multi-state metropolitan areas.

areas that are relatively close to an urban center become potentially attractive places to locate.

Of the three largest metro areas, Columbia has experienced the fastest population growth, expanding 7.2 percent from 1992 to 1997. Greenville-Spartanburg-Anderson grew slightly slower over the same period, recording 6.5 percent growth. Meanwhile, the Charleston area has slowed considerably to just 0.4 percent over the same five years. Charleston and Dorchester Counties each grew lass than 1 percent, while Berkeley County experienced a slight dip in population from 1992 to 1997. Military closures in Charleston have skewed some of the recent statistics which indicate a dramatic slowdown in population growth in these areas.

Overall, the fastest growing areas of the state include Lexington County, York County which is part of the Charlotte metro area, and the coastal counties of Beaufort, Horry and Georgetown. The coastal areas have experienced a population boom due in part to the rapid influx of retirees to those areas.

Total Employment Growth

The South Carolina economy has performed incredibly well in terms of job creation. As recently as 1998, the state was leading the southeast in employment growth. Between 1992 and 1997, the number of full- and part-time jobs advanced 12.3 percent.[3] Across the state, the job location and growth patterns are similar to the population patterns already discussed. The metropolitan areas accounted for 75 percent of all full- and part-time jobs in 1997, with the three largest metro areas home to over 56 percent of all jobs in the state. Of these three, the fastest to slowest job growth was recorded in Columbia, Greenville-Spartanburg-Anderson and Charleston, with five-year job growth of 16.1 percent, 15.8 percent, and 3.2 percent, respectively. Again, the loss of military jobs has dramatically affected total employment levels in Charleston. Charleston has seen impressive growth in non-military jobs, with a 23.1 percent increase in service jobs and a 13.0 percent rise in wholesale and retail trade sector jobs.

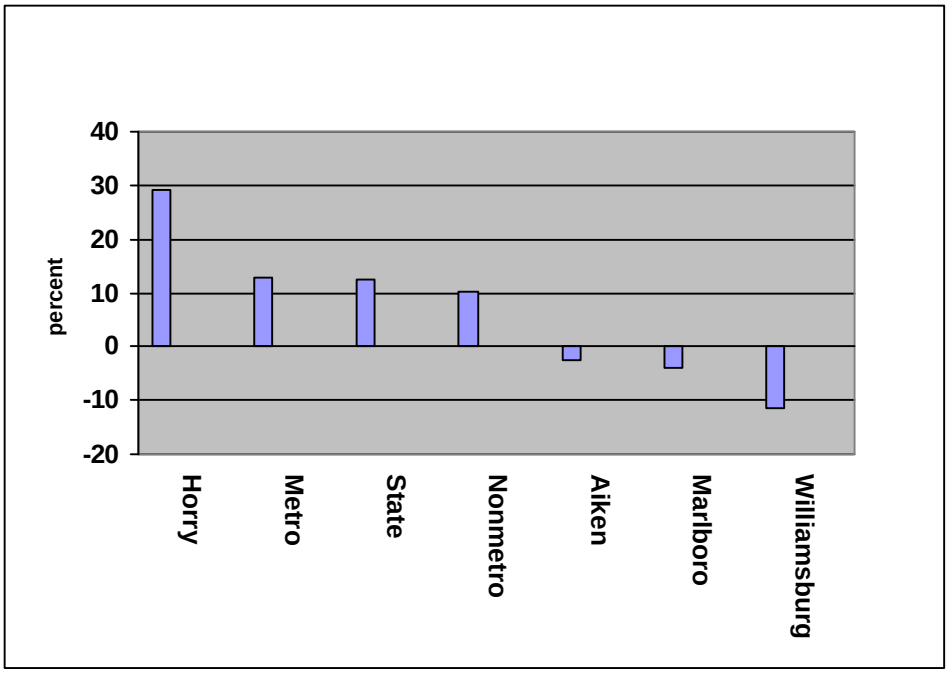
[3] All data on total employment, employment by sector, and per capita income are based on county-level data from the U.S. Bureau of Economic Analysis. The most recent year for this data on a consistent basis for all counties is 1997. Throughout, employment figures are the sum of all full- and part-time jobs. Total employment figures include agricultural jobs.

The trend towards convergence between the metropolitan and nonmetropolitan areas is apparent looking at recent job growth patterns. For the five-year period ended in 1987, the state's metro areas saw employment advance by 17.2 percent, while jobs in the nonmetro areas grew just 4.0 percent. This large gap has shrunk ever since. Between 1992 and 1997, metro area employment growth was 12.9 percent, while nonmetro job growth rose to 10.2 percent.

On average, it appears that job growth is equalizing geographically across the state. Of course, there are many areas that lag considerably behind the average job growth across the state. Thirteen counties saw jobs grow by less than half of the rate enjoyed by the state as a whole between 1992 and 1997. Three counties, Aiken, Marlboro and Williamsburg, recorded a decline in employment of at least 2.5 percent for the five years ended in 1997. Figure 6 provides an illustration of these differences in job growth.

As is the case for population growth, Lexington County and the coastal areas recorded the largest job gains. Horry, Lexington, Beaufort and Georgetown Counties saw full-and part-time jobs expand by 29.3 percent, 27.8 percent, 27.2 percent and 20.0

Figure 6. Employment Growth by Area, 1992 - 1997



percent, respectively, between 1992 and 1997.

Employment by Sector

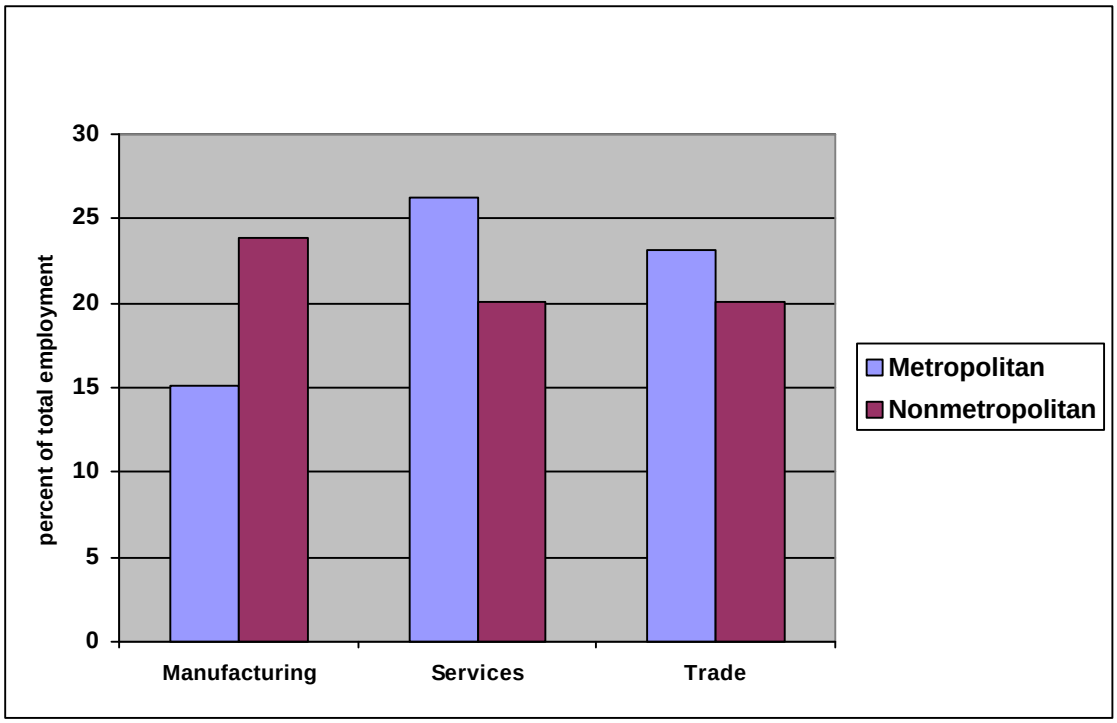
The last three decades have brought significant structural changes to the South Carolina economy. As mentioned earlier, the state has shifted from one in which manufacturing firms, and in particular textile and apparel firms, were the dominant employers, to one in which the service and trade sectors account for roughly 47.0 percent of all jobs in the state. This shift is in large part accounted for by the dramatic loss of jobs in the apparel and other nondurable goods industries as plants close in search of cheaper labor elsewhere and as remaining plants, particularly textiles, employ more efficient capital-intensive means of production.

While this decrease in manufacturing's share of total employment is for the most part occurring throughout the state, many areas of South Carolina still count manufacturing as the dominant industry. This becomes apparent when looking at the distribution of jobs in metropolitan versus nonmetropolitan areas as in Figure 7. In the metropolitan areas of the state, 15.1 percent of all jobs are in manufacturing, 23.1 percent are in wholesale and retail trade, and 26.3 percent are in services. Not all metro areas follow this pattern, the relatively small Augusta-Aiken and Sumter areas still have manufacturing firms as the largest employers, and the Greenville-Spartanburg-Anderson metro area is more homogeneous, with manufacturing, trade and services making up 22.3 percent, 24.1 percent and 24.5 percent of area jobs respectively. However, by and large, the metropolitan areas are the centers for service and trade industries.

The nonmetropolitan areas, on the other hand, remain much more reliant on manufacturing firms for employment. Here, manufacturing, trade and services account for 23.9 percent, 20.1 percent and 20.0 percent of all jobs. Across the state, 12 counties have at least 30 percent of all its jobs in manufacturing: Abbeville, Calhoun, Cherokee, Chester, Chesterfield, Greenwood, Marion, Marlboro, Newberry, Oconee, Saluda and Union. Of these, only the largely rural Cherokee County belongs to a metropolitan area (GSA).

The heavily populated metro areas across the state are the primary destination for shopping, entertainment and tourism, making it difficult for rural areas to build a base of

Figure 7. Employment Shares by Sector, Metro vs. Nonmetro Areas - 1997



service and trade industry. As the structural shift away from manufacturing continues, it will become ever more difficult for many of these rural areas to close the gap between themselves and the urban centers in terms of economic performance.

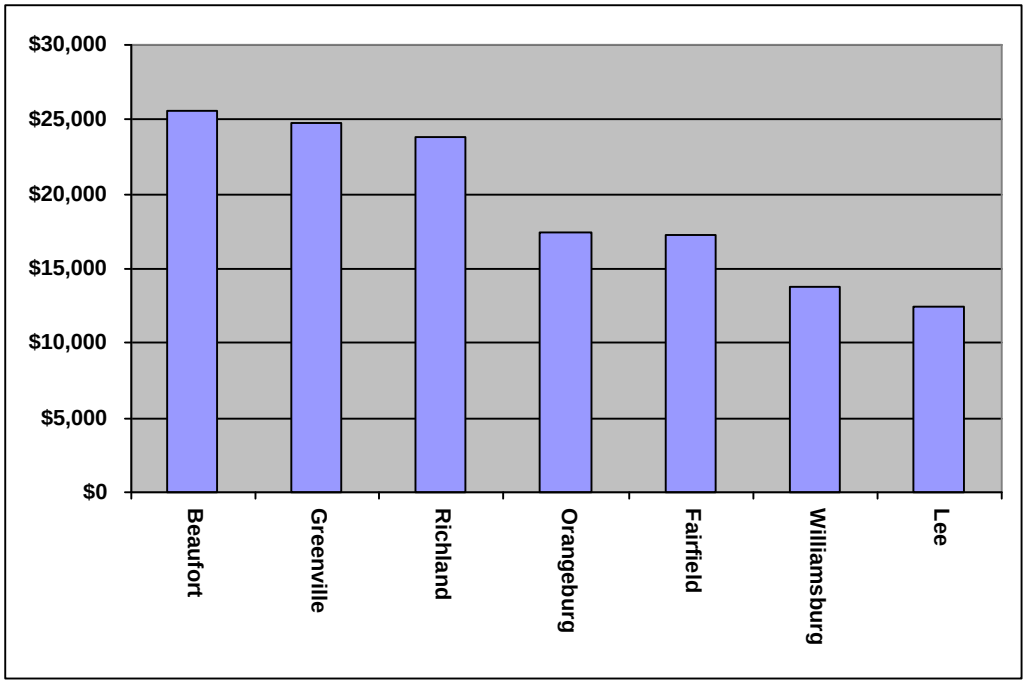
Per Capita Personal Income

An important gauge for measuring economic performance is per capita personal income. Income translates into access to goods and services, and thus higher levels of per capita income are typically viewed as providing for a higher standard of living. The discussion so far has already illustrated some significant differences between areas of South Carolina in terms of economic structure and performance. Perhaps nothing underscores these differences more than a comparison of per capita income levels across the state. In 1997, per capita income for all of South Carolina was $20,508. It should come as no surprise that the average level of per capita income is higher in the metro areas than in the nonmetro areas. Metropolitan per capita income in 1997 was $21,396, 16 percent higher than the nonmetropolitan per capita income of $18,442.

At the county-level, even more dramatic differences in living standards emerge, as shown in Figure 8. The richest county is Beaufort, with 1997 per capita income of $25,599, more than $5,000 higher than the state average. In contrast, the poorest county, Lee, recorded a per capita income level of just $12,512, well below the state average, and less than half the level of Beaufort's per capita income.

Overall, 12 counties have per capita income levels greater than the state average, they are Beaufort, Greenville, Richland, Lexington, York, Charleston, Oconee, Horry, Spartanburg, Aiken, Greenwood and Florence. Of the poorest counties, six have annual levels of per capita income less than $15,000, including McCormick, Marlboro, Allendale, Clarendon, Williamsburg and Lee. The disparity in living standards across South Carolina implies drastic differences in the ability of local governments to fund services. Lower income levels will usually be associated with lower property values and an overall smaller tax base.

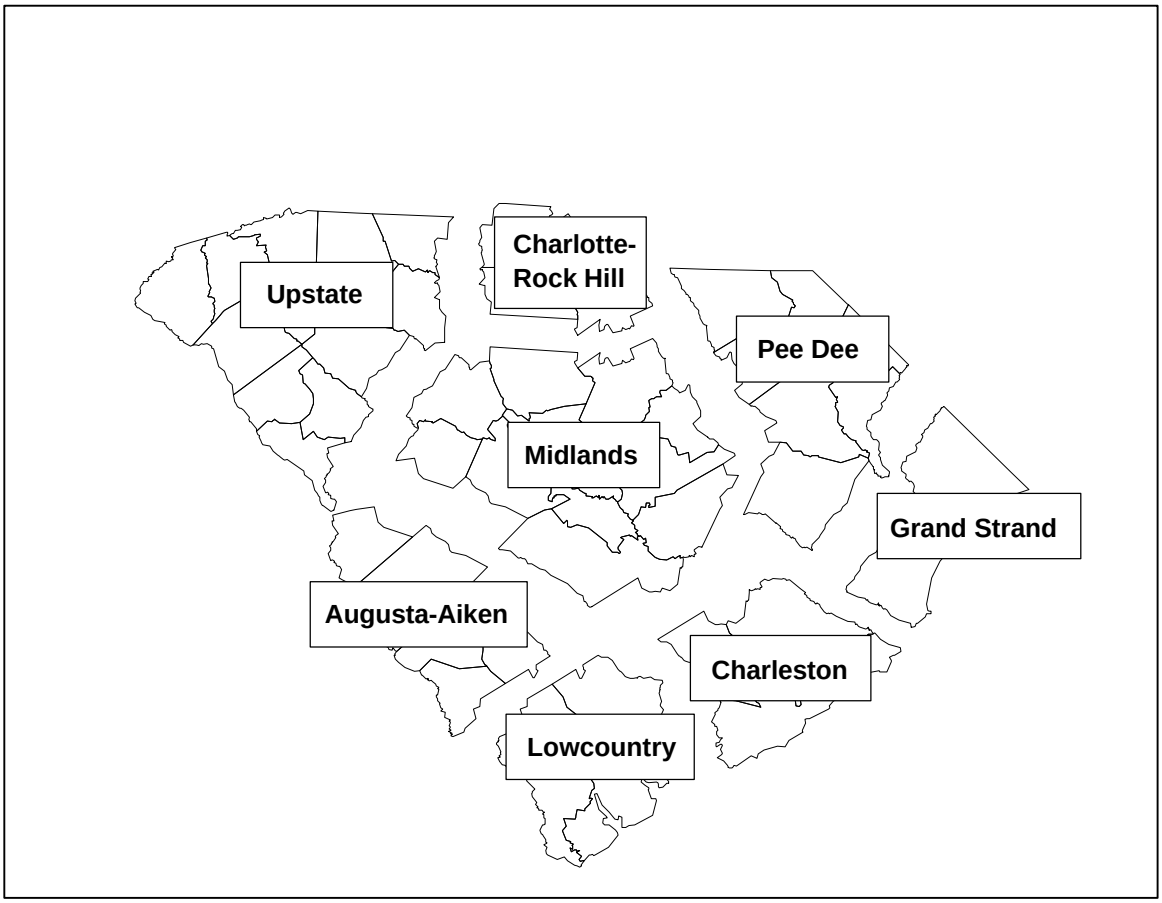
Figure 8. 1997 Per Capita Income, Selected Counties



4. South Carolina Regions

This section provides an overview of the economic performance and structure of specific regions within South Carolina. The eight regions identified are the Upstate, Charlotte-Rock Hill, Pee Dee, Midlands, Augusta-Aiken, Grand Strand, Charleston and Lowcountry regions, as illustrated in Figure 9.

Figure 9. South Carolina Regions



The Augusta-Aiken Region

The five county Augusta-Aiken Region, the second smallest region in terms of population, is among the most dramatically affected by the decline of manufacturing industries in South Carolina. Similar to the Pee Dee Region, Augusta-Aiken has witnessed a rapid and large reduction in the number of manufacturing jobs, while at the same time missing out on the strong service and trade sector growth enjoyed by many of the state's other regions. Thus, the decrease in manufacturing has left the Augusta-Aiken region with a slow growing population and a relatively stagnant economy.

Because of the lack of available jobs, the Augusta-Aiken Region has not attracted migrants to the area. Between 1992 and 1997, the region recorded the third slowest rate of population growth of the state's eight regions, advancing just 3.0 percent. This population growth was insignificantly greater than that of the Pee Dee, and just ahead of the Charleston Region that took a large population hit from military closings during the same period. Two of the region's counties, Allendale and Bamberg, have a declining population. Allendale saw its 1991 population of 12,050 fall to 11,552 by 1997. Meanwhile, Bamberg's population has fallen 8.1 percent from its peak of 18,082 in 1980 to 16,613 in 1997.

Turning to the employment picture for Augusta-Aiken, the region was able to lead the state in total employment growth between 1987 and 1992, adding 21.9 percent to its job base. However, during the next five years the region saw the level of total employment expand a paltry 1.2 percent, the slowest growth of any of the state's regions, and substantially less than the state average of 12.3 percent. Driving this tremendous slowdown was a 10.6 percent fall in manufacturing employment in just four years. In 1993, total manufacturing employment in the region was 32,564. By 1997 this figure had dropped to 29,104. This dramatic drop in manufacturing jobs can be largely attributed to the Savannah River plant. More recently, as demonstrated by Bridgestone-Firestone, the region has shown it can attract manufacturing firms.

Despite the recent rapid erosion of manufacturing jobs in the region, Augusta-Aiken remains the region most dominated by manufacturing. In 1997, the manufacturing sector accounted for 28.6 percent of all jobs in the region. The next most manufacturing intensive regions were the Pee Dee at 24.2 percent, and the Upstate at 24.1 percent. As

may be expected, the region is also the one in which service and trade industries are least represented. In 1997, 21.3 percent of all jobs were in the service sector, while just 17.9 percent were in wholesale and retail trade. Both of these shares are the lowest among all regions.

Overall, South Carolina has enjoyed strong growth in nonmanufacturing sectors while manufacturing has been flat or declining, this has not been the case in the Augusta-Aiken Region. Specifically, the region recorded the slowest rates of service and trade job growth in the state between 1992 and 1997. Wholesale and retail jobs expanded at a 12.9 percent pace during that time, well shy of the state average of 20.4 percent. The relatively larger service sector has seen even slower growth, increasing by just 7.9 percent over the same five years. If this sluggish growth of nonmanufacturing jobs continues, the region will find it difficult to enjoy significant economic improvement as the manufacturing sector continues to shrink.

The population of the Augusta-Aiken Region has seen a dramatic change in its standard of living relative to the rest of the state in recent years. As recently as 1992, the region enjoyed the second highest level of per capita income in South Carolina. At that time, regional per capita income was $17,043, 103.9 percent of the state average, and a full 97.8 percent of the Lowcountry's per capita income, the highest in the state. However, between 1992 and 1997, Augusta-Aiken endured, by far, the slowest rate of per capita income growth. In that span, the state average level of per capita income grew by 25.0 percent while the region saw growth of just 15.1 percent. As of 1997, the region's per capita income was $19,607, 95.6 percent of the state average and just 90 percent of the Lowcountry's level. This substantial reduction in the region's relative standard of living is due specifically to Aiken County. In 1992, Aiken County had the third highest per capita income in the state, behind just Beaufort and Greenville. Since that time, Aiken County experienced the slowest rate of per capita income growth of all 46 counties, and dropped to the tenth highest level in the state.

The Charleston Region

The three county Charleston Region is, in terms of population and total employment, the state's third largest region, behind the Upstate and the Midlands. In the

midst of a statewide structural shift away from manufacturing, the Charleston Region has undergone a significant structural change of its own. Like the Midlands, Lowcountry, and the Grand Strand, Charleston has not been home to a dominant manufacturing sector. In this respect, the region has been unaffected by the decline of manufacturing in the state.

In contrast, the Charleston economy has traditionally been dominated by a large government (primarily military) sector. From 1970 through 1992, between 30 and 40 percent of all regional employment was in the government sector. The military cutbacks and closings of the 1990s signaled the beginning of dramatic changes in Charleston's economic landscape. Despite some of the aggregate measures of economic performance for the area, Charleston is in the middle of a successful economic transformation.

The shrinking government sector and the associated emigration from the area led to little population growth between 1992 and 1997. Prior to the early 1990s, the region was consistently the fastest growing of the three largest regions. Aside from the effects of the military cutbacks, the region continues to experience rapid population growth as a hotspot for retirees and with a booming economy attracting new labor.

Overall, the Charleston region recorded expectedly slow total employment growth between 1992 and 1997, outpacing only the Augusta-Aiken Region. The driving force behind this slow growth was the 28.2 percent decline in the number of government jobs, from 87,467 in 1992 to 62,801 in 1997. As of 1992, government was by far the largest employer in the region, accounting for 30.6 percent of all jobs. By 1997, its share of total employment had fallen to 21.3 percent, falling behind services and trade as the dominant sectors. In 1997, service industries made up 28.8 percent of all jobs and trade accounted for 22.3 percent.

Another development in the region has been the relatively strong growth of manufacturing jobs. From 1992 to 1997, the area saw an employment increase of 3.2 percent in manufacturing, the third strongest manufacturing growth in the state. Interestingly, this was enough to keep manufacturing's share of total employment unchanged at 7.5 percent from 1992 to 1997. Indeed, the region has experienced an influx of manufacturing firms, such as Nucor, as well as some significant expansions. In

particular, Charleston is developing a network of automotive-related producers, similar to the Upstate.

Like many areas of South Carolina, living standards within the region vary widely. Overall, the region's 1997 per capita income of $19,601 was 95.6 percent of the state average, and the second lowest among the eight regions. Residents of Charleston County enjoyed the sixth highest level of per capita income in the state, at $21,670, over $1,000 more than the state average. The per capita income of Dorchester County was $19,013, while Berkeley County was the seventh poorest in the state, at $15,147 and just 73.8 percent of the state average.

Of the state's regions, the current Charleston economy may be the one most skewed by the most recent data. In the past several years, the region has enjoyed a booming economy, with impressive job growth, low unemployment, and a growing population.

The Charlotte-Rock Hill Region

The three county Charlotte-Rock Hill region includes the fourth fastest growing county in the state, York County, which recorded a 10.2 percent increase in population between 1992 and 1997. The fast growing county trailed only Beaufort, Lexington and Horry counties in population expansion over the five-year period. The less populated Chester and Lancaster counties experienced much slower growth, 3.4 percent and 4.8 percent, respectively, giving the region a 7.9 percent increase in population. Overall, only the Grand Strand and Lowcountry regions surpassed the region's recent population growth.

The recent population record of the region is impressive in light of the hit the area has taken in terms of lost manufacturing jobs. The shrinking South Carolina manufacturing employment-base has quickly changed the face of the region's economy. In 1982, manufacturing firms accounted for 34.5 thousand jobs, a full 40.2 percent of all jobs in the region. By 1997, a period of just fifteen years, nearly 10 thousand manufacturing jobs had been eroded, and just 22.9 percent of all jobs were in manufacturing industries. Indeed, from 1992 to 1997, the region experienced the third fastest rate of manufacturing job loss across all regions, losing 8.6 percent of its

manufacturing jobs in that period. Only the Pee Dee and August-Aiken regions saw a greater portion of their manufacturing jobs disappear over the same period. Because of this rapid erosion in manufacturing, the Charlotte-Rock Hill region now has one of the most homogeneous distributions of jobs in the state. In 1997, manufacturing, trade and services totaled 22.9 percent, 23.0 percent and 22.7 percent of the region's jobs.

The fastest growing sector in the region is wholesale and retail trade. York County has become a booming bedroom community for Charlotte. The trade, service and finance, insurance and real estate sectors in the region are reaping benefits from the high incomes of Charlotte. Indeed, per capita income in Mecklenburg County of North Carolina was $32,295 in 1997. This high and rising income in the area has created sufficient consumer demand to support a 19.9 percent increase in service jobs and a 23.1 percent increase in trade sector jobs in the three county area between 1992 and 1997.

Per capita income in the region was $20,656 in 1997, just slightly ahead of the state average. However, even within this small region, there is a dramatic difference in living standards. Per capita income in York County was $22,414 in 1997, the fifth highest in South Carolina. At the same time, per capita income in Lancaster and Chester was $18,638 and $16,279, respectively. Chester County's per capita income level was the 13th lowest in the state, and just 72.6 percent of neighboring York County's income level.

The Grand Strand Region

The tourism-driven counties of the Grand Strand Region, Georgetown and Horry, are among the economically strongest and fastest growing in the state. The booming national economy and an influx of retirees have contributed to the region's position at or near the top of most regional economic indicators. Like the Charleston, Lowcountry and Midlands regions, the Grand Strand has traditionally lacked a large manufacturing presence. Because of this, the structural shift away from manufacturing has had little effect on the region's economic performance over the past three decades.

The Grand Strand has been home to the largest population boom in the state since 1972. The region recorded a tremendous 94.4 percent increase in population from 1972 to 1997. During that time, the state as a whole saw its population increase a significantly

smaller 39.4 percent. The only other region to come close to matching the Grand Strand's population explosion has been the Lowcountry during the 1990s.

The state's population growth leader since the 1970s has also seen the largest relative increase in total employment. From 1972 to 1997, the Grand Strand enjoyed an employment increase of 166.4 percent. In the five years from 1992 to 1997, the region's 27.4 percent rate of job growth led all regions, with the Lowcountry's 22.7 percent increase coming in second.

The tremendous job growth in the 1990s can be largely attributed to the region's booming tourism industry. Official statistics are not available to identify tourism-related jobs specifically. Rather, jobs that have been created because of tourism activity lie primarily in the service and trade sectors, which have both grown faster in the Grand Strand than in any other region of the state. The region had an increase of over 10 thousand full- and part-time service sector jobs between 1992 and 1997, a rise of 35.4 percent. This growth was well ahead of the next highest 27.5 percent pace in the Midlands. Meanwhile, wholesale and retail trade jobs advanced by a combined 35.0 percent from 32,562 jobs in 1992 to 43,943 in 1997.

In addition to the large trade and service sectors, the Grand Strand also has a fast growing finance, insurance and real estate sector. The region's 44.9 percent rate of job growth in the FIRE industries also led the state from 1992 to 1997, just edging out the 44.4 percent increase in the Lowcountry. As a further illustration that the region has not been affected by manufacturing's decline, the Grand Strand's small manufacturing sector was the fastest growing in the state, adding jobs by 4.3 percent at a time when several regions lost a significant number of manufacturing jobs. This manufacturing job growth is driven by the only significant manufacturing firm, Myrtle Beach's AVX Corporation. Only the government sector has shrunk in recent years. The number of government jobs fell from 15,530 in 1992 to 14,810 in 1997.

Clearly, employment in the Grand Strand is dominated by trade and service industries. The trade sector accounts for 30.9 percent of all jobs in the region, while the service sector makes up 29.5 percent. Together, then, services and trade represent 60.4 percent of regional employment, considerably more concentrated than the 47.1 percent of jobs statewide. The government, FIRE and manufacturing sectors account for most of

the remaining jobs, with 10.4 percent, 8.8 percent, and 8.0 percent of all jobs, respectively.

The Grand Strand has traditionally lagged many other regions in one important measure of economic performance, per capita income. At first glance, this may be surprising given the outstanding job growth enjoyed by the region. However, many of the newly created jobs in the region's large service and trade sectors do not pay substantially higher than average wages. Because of this, the region's 1997 per capita income of $20,946, was just over $400 higher than the state average, and just the third highest in the state behind the Lowcountry and the Upstate.

Despite posting just the third highest level of per capita income in 1997, the region has made substantial improvements in this area. In 1972, regional per capita income was the second lowest in the state. Living standards in Georgetown and Horry Counties led only those of the Pee Dee Region. By 1987 the region had jumped two spots to record the fifth highest level of per capita income. Between 1992 and 1997, the region's improvement has been due to Horry County posting the third fastest rate of per capita income increase among all counties. Further, Horry County was the fastest growing of all counties with an above average level of per capita income.

The Lowcountry Region

The economy of the four county Lowcountry Region is in many respects similar to that of the Grand Strand. The region ranks among the fastest growing in the state, and is driven by the location of relatively wealthy migrants and a booming upscale tourism industry. Also, the region's manufacturing sector has never been a dominant employer, leaving the region largely unaffected by its statewide decline.

The last three decades have brought to the state's smallest region a population surge second only to the Grand Strand. More recently, from 1992 to 1997, the state's smallest region recorded the fastest growth with an 11.3 percent population increase. This boom has primarily occurred along the coast in Beaufort County. In 1997, Beaufort was just the twelfth largest county, but is moving up quickly. Between 1992 and 1997, Beaufort led all counties with growth of 16.2 percent, well ahead of the state average of

5.2 percent, and moderately higher than the booming Lexington, Horry, and York populations.

The Lowcountry's recent population surge is a byproduct of its booming economy. Beaufort's unemployment is among the lowest in the state and its rate of total job growth has been third behind just Horry and Lexington since the early 1990s. The region overall recorded the second highest pace of job growth between 1992 and 1997, at 22.7 percent, well ahead of the state average of 12.3 percent. Further, this growth has been among the most balanced in the state, leading to a strong and diverse economy.

The Lowcountry has enjoyed employment growth in the nonmanufacturing industries ranking in the top three across the state. The fastest growing sector in the region is finance, insurance, and real estate. FIRE employment increased 44.4 percent from 1992 to 1997, just slightly behind the Grand Strand. The service sector saw jobs rise by 26.2 percent, third behind the Grand Strand and Midlands. Wholesale and retail trade jobs expanded by 21.8 percent, the second fastest rate in the state behind, once again, the Grand Strand. The region also enjoyed the fastest growth of government jobs, at 12.0 percent, and a slight increase in manufacturing.

In terms of employment, the service sector is the region's largest, with 26,776 total jobs in 1997, accounting for 26.2 percent of all jobs. The second largest sector is government, making up 24.1 percent of jobs. Trade sector jobs are the third most plentiful, with 22,293 jobs comprising 21.8 percent of total employment. The fast growing FIRE industries account for 8.0 percent of jobs, while manufacturing's share of regional employment is 5.4 percent.

The diverse Lowcountry economy provides its residents with the state's highest standard of living. In 1997, regional per capita income stood at $21,778, 106.2 percent of the state average. The majority of the region's population resides in Beaufort County, the state's per capita income leader at $25,599. However, neighboring Colleton, Hampton, and Jasper Counties are faced with considerably lower living standards. Colleton County is the region's second largest in terms of population, and has the area's lowest level of per capita income at just $16,017, 62.6 percent of Beaufort's level.

The Midlands Region

The eleven-county Midlands Region is the second most populous in the state, with a 1997 population of 884,624. The lion's share of people in the area live in Richland and Lexington counties, the third and fifth most populated in the state. The region as a whole saw population expand by 5.4 percent from 1992 to 1997, just the fifth fastest increase of the state's eight regions. However, Lexington County's population has been exploding in recent years. Lexington turned in the second fastest rate of population growth during the five-year period, growing 13.3 percent, behind only Beaufort's 16.2 percent increase.

The population boom in Lexington reflects the diversity and widespread availability of jobs in the region. As with population growth, Lexington ranked second in the state in total employment growth from 1992 to 1997, increasing jobs by 27.8 percent. Only Horry County, at 29.3 percent, saw a faster rate of total job growth over the same period.

The Midlands has traditionally been less reliant on manufacturing and more economically diverse than other regions across the state. Manufacturing firms comprise just the fourth largest source of employment in the Midlands, behind services, government and trade. In 1997, only 13.0 percent of the region's jobs were in manufacturing. The service, government and trade sectors accounted for 24.9 percent, 22.0 percent and 20.3 percent of all jobs. The region has therefore been affected to a lesser degree by the shift away from manufacturing.

In recent years, the Midlands has enjoyed strong job growth across the board. The fastest growing sector is services, increasing by 27.5 percent between 1992 and 1997. The relatively small finance, insurance and real estate sector grew 18.3 percent, from just over 32 thousand jobs in 1992 to nearly 38 thousand jobs in 1997. The trade sector expanded by 18.0 percent, while manufacturing and government jobs increased by 3.3 percent and 3.0 percent from 1992 to 1997.

The disparity across South Carolina in terms of living standards is also present within the Midlands region. Overall, the eleven counties that comprise the Midlands region have an average per capita income of $20,718, just slightly higher than the state average. Given the apparent overall strength of the Midlands economy, the fact that the

region has only the fourth highest per capita income across the eight regions may be surprising. The two largest Midlands counties, Richland and Lexington, enjoy the third and fourth highest income levels in the state at $23,874 and $22,771, respectively. At the same time, the nearby counties of Clarendon and Lee, with per capita incomes of $14,365 and $12,512, stand as the third poorest and poorest counties in the state.

The Pee Dee Region

The seven county Pee Dee Region has endured the poorest economic performance of the state's regions over the past three decades. The stagnant economy has consistently recorded slow employment and population growth, and has also been confronted with the highest unemployment rates across the state.

The region is the state's fourth most populated, with a 1997 population of 362,256. The largest county in the region, Florence, is the 11th largest in the state. For the 25-year period from 1972 to 1997, the Pee Dee recorded a population increase of just 18.9 percent, by far the slowest rate of growth across the state.

The tremendously slow rate of population growth is in large part due to the lack of available jobs, and the exodus of existing jobs in the area. The Pee Dee saw a total employment increase of just 28.7 percent from 1972 to 1997, though it has done relatively better over the last ten years. Since 1987, total employment has increased by 16.0 percent, considerably better than the region's pace of job creation during the 1970s and early 1980s. From 1992 to 1997, Dillon and Florence have enjoyed respectable job increases of 16.7 percent and 13.3 percent, respectively. At the same time, Williamsburg and Marlboro turned in the fastest rates of job erosion in the state, losing 11.4 percent and 4.1 percent of total employment, respectively.

Since 1992, the Pee Dee has been the hardest hit by manufacturing job losses. From 1992 to 1997, the region lost 10.6 percent of its manufacturing employment, amounting to roughly five thousand jobs in just five years. Williamsburg alone lost 43.7 percent of its manufacturing jobs over the five-year period. Whereas other regions of the state have seen the decline of manufacturing accompanied by a rapid increase in service and/or trade industries, the Pee Dee has seen sluggish job growth across the board.

Recent developments, however, have been positive. The strength of Honda and Nan Ya may help mitigate the decline of manufacturing jobs.

Between 1992 and 1997, the region recorded a 20.1 percent increase in service sector employment, the third slowest rate of advance in the state. Meanwhile, the region added just 14.9 percent to its trade sector employment, again the third slowest pace in the state. Today, the region's rapidly declining manufacturing sector is still the largest single employer, accounting for 24.2 percent of jobs in the Pee Dee. The slowly increasing service and trade sectors make up 21.6 percent and 21.0 percent, respectively, of total regional employment.

The lowest regional level of per capita income in the state accompanies the sluggish economic growth of the Pee Dee. In 1997, per capita income was just $17,767, 86.7 percent of the state average, and just 69.4 percent of the state's richest county, Beaufort. Of the seven counties, only Florence, at $20,622, has a per capita income level greater than the state's average. The next highest level is $18,582 in Darlington. Of the state's 10 poorest counties, four are in the Pee Dee region, Dillon, Marion, Marlboro and Williamsburg.

The Upstate Region

The eleven county Upstate Region includes the major metropolitan counties of Greenville, Spartanburg and Anderson. It is the most heavily populated of the state's eight regions, with a 1997 population of 1.16 million. From 1992 to 1997, population in the Upstate grew faster than for the state as a whole, recording a 6.1 percent increase compared to a rise of 5.2 percent for South Carolina. It also recorded the fastest growth of the state's three most populated regions, which in addition to the Upstate region includes the Charleston and Midlands regions.

This rapid population increase reflects the region's expanding economy. The Upstate region experienced the third fastest pace of job creation among the eight regions from 1992 to 1997. The 14.5 percent increase in employment over that period was the fastest among the largest regions, and trailed only the Grand Strand and Lowcountry regions in job growth.

The region's strength is in large part due to the growing network of automotive related industry. The location of Michelin, BMW and auto parts manufacturers has brought to the region a host of well-paying manufacturing jobs at a time when booming incomes across the nation have resulted in strong demand for luxury cars and other durable goods.

The Upstate has traditionally been the manufacturing center of the state. In 1972, 41.5 percent of jobs in the region were manufacturing jobs and 48.4 percent of all manufacturing jobs in South Carolina were in the Upstate region. The income generated by this large manufacturing presence has lead to the development of a large service and trade sector in the region over the last three decades.

The 41.5 percent share of the region's jobs in manufacturing in 1972 was accompanied by just 14.3 percent in services and 16.0 percent in trade. In 1997, manufacturing still employed more workers than any other single industry, but this share had fallen to just 24.1 percent, while the fast growing service and trade sectors now accounted for 22.4 percent and 23.1 percent of the region's jobs respectively.

Today, the Upstate still is home to 44.5 percent of all manufacturing jobs in the state, but it has also been successful in diversifying its economic base. However, the manufacturing base in the region remains the primary driver of the area's economic performance. Indeed, the growing presence of automotive-related industries makes the region relatively sensitive to economic downturns. Purchases of durable goods, especially big-ticket items such as upscale automobiles, are among the most cyclical of all purchases. A serious national recession could therefore greatly affect the economy of the Upstate.

Living standards in the Upstate have traditionally been among the best in the state. In 1997, the region's per capita income was $21,467. This was nearly $1,000 above the state average, and behind only the Lowcountry ($21,778) among all of the state's regions. In addition to enjoying a very high level of per capita income, the Upstate saw the second greatest percentage increase in per capita income between 1992 and 1997. The region's 26.9 percent increase in per capita income trailed only the 29.6 percent rise in the booming tourism economy of the Grand Strand region.

5. Conclusion

South Carolina is in the midst of a major economic transition. Since 1970, the state's manufacturing economy has been transforming into a diversified economy. The facts presented in this report make this profound structural change clear. The mature manufacturing industries have seen their share of South Carolina's total employment drop considerably. Meanwhile, tremendous growth in the service and trade sectors have pushed these nonmanufacturing sectors into dominance as the state's leading employers. The statewide trends illustrate this transition clearly. The statewide figures also indicate that the changing economy has led to strong gains in economic prosperity. The state's average standard of living relative to the nation has been climbing since the early 1970s.

However, also made apparent by this report is that the average state trends can provide a distorted picture of how substate regions affected by, and is dealing with, the current economic transition. The relatively small state is comprised of incredibly diverse regions. These regions are different in structure, and therefore have been affected by the shift away from manufacturing in vastly different ways. A handful of the state's regions, including the Charleston, Lowcountry, Midlands, and Grand Strand areas have seen a less than dramatic change in the structure of their economies. This is due to the historical lack of a dominant manufacturing presence.

On the other hand, the Augusta-Aiken, Charlotte-Rock Hill, Pee Dee, and Upstate areas have seen much greater economic changes over the past three decades. The across-the-board decline in manufacturing's relative share of employment has left some of these areas with stagnant and distressed economies, as in the Augusta-Aiken and Pee Dee regions, while at the same time the Upstate has enjoyed a booming economy with quickly rising living standards.

The South Carolina economy has faced fundamental transitions for over 300 years. In every case, the ultimate outcome in terms of the economic prosperity of the population depends critically on how prepared and how quickly the state adjusts to the seemingly inevitable structural change. The current economy is evolving into one dominated by nonmanufacturing industries.

Included in these sectors is a wide variety of jobs and an equally wide range of resulting incomes. As the service and trade sectors expand, the state can see large numbers of relatively low-paying retail trade, clerical and fast food jobs, or it can enjoy new high-paying consultant and high-technology jobs. This essentially is the crossroads at which the state now stands.

In order to follow the path to rising incomes and further per capita income gains relative to the nation, the state must first aggressively clear this path by making the South Carolina economy attractive to firms in emerging, well-paying industries. One step is the encouragement of investment in these industries. However, a major obstacle is the need for improved education and the enhancement of labor skills. Only by providing its population with the education and skills necessary to match the needs of employers in the evolving economy can the state see continued growth and prosperity.