Pennsylvania's Lagging Economic Growth

An examination of state employment from 2009 to 2013

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Executive Summary

Pennsylvania's economy, jobs, and unemployment continue to be among the top issues of concern for state residents in opinion polling.[1] With state-level jobs data now available for all of 2013, the Keystone Research Center has assessed Pennsylvania's economic performance in the last year and over the past several years, with comparisons to the nation and to other states. This briefing paper presents the basic facts on the performance of Pennsylvania's economy, its metropolitan regions, and counties. The brief updates with six months of new data the more detailed analysis presented in *The State of Working Pennsylvania 2013*.[2]

In short, Pennsylvania's economy has not performed well over the past year or several years. For the state as whole, job growth has slowed over each of the past three years. Relative to the nation, Pennsylvania's economy has also performed poorly since the beginning of 2011, measured by job growth and the state's unemployment rate.

The performance of the economy at the metropolitan and county levels has varied, with only a few areas mirroring exactly the statewide trend of declining job growth each year after 2010. Even so, in all but a few metro areas and counties, job growth was lower in 2013 than in 2010.

Pennsylvania's Statewide Jobs Performance

According to many observers, the most basic test of economic policy is job creation.[3] Figure 1 (on page 2) shows total job growth in Pennsylvania beginning in 2010, the first year within the current economic recovery.[4] Overall job growth — in both the public and private sector — has slowed every year in Pennsylvania since 2010. Figure 2 (also on page 2) shows a similar picture for private-sector job growth only.

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[1] For example, see Franklin and Marshall College Poll, Survey of Pennsylvanians, Summary of Findings, January 30, 2014, online at http://www.fandm.edu/uploads/media_items/january-2014-franklin-marshall-college-poll-release.original.pdf.

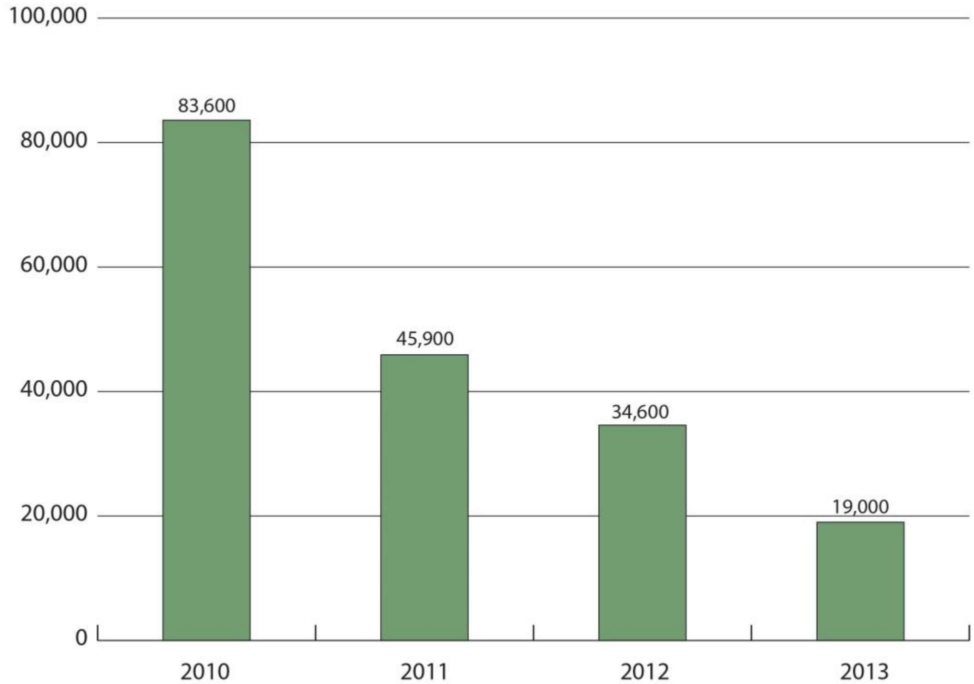
[2] Mark Price and Stephen Herzenberg, *The State of Working Pennsylvania 2013*, Keystone Research Center, online at http://keystoneresearch.org/publications/research/state-working-pennsylvania-2013.

[3] For example, Governor Tom Corbett stated in his budget address on February 4, 2014: "If you make job creation the test for most every policy, you'll never go wrong." Text of Governor Tom Corbett's Budget Address, February 4, 2014, online at http://www.witf.org/news/2014/02/read-governor-corbetts-budget-address.php.

[4] Employment change is measured from December to December of each year beginning in 2009.

Figure 1. Overall job growth in Pennsylvania has slowed down

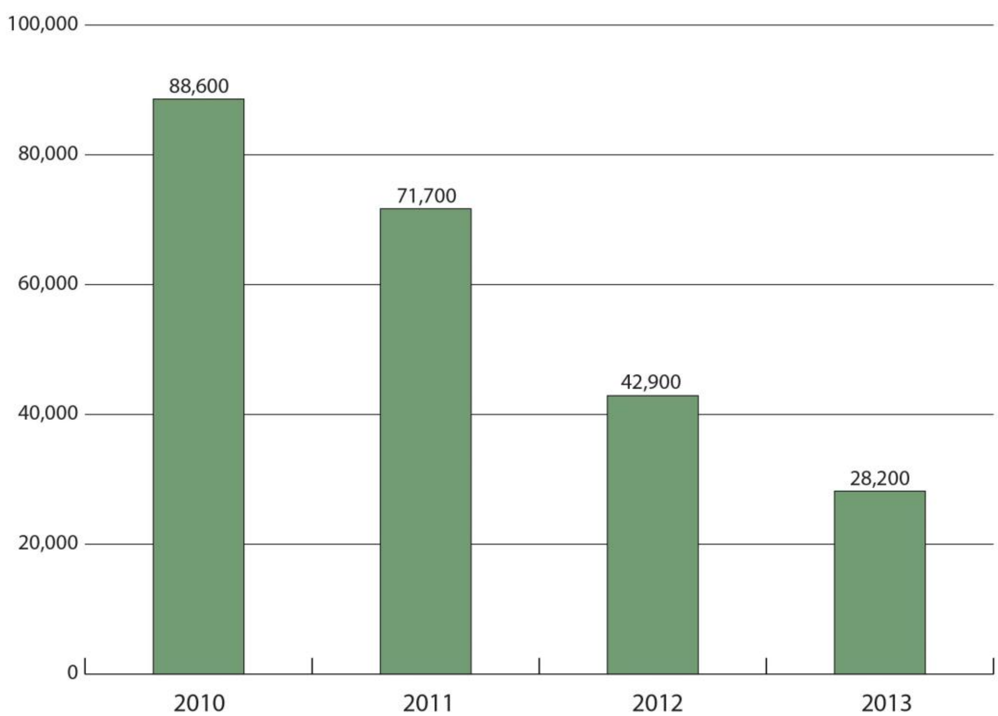
Employment change from December to December, 2009 to 2013



Source. Keystone Research Center based on Bureau of Labor Statistics data.

Figure 2. Private sector job growth in Pennsylvania has slowed down

Employment change from December to December, 2009 to 2013

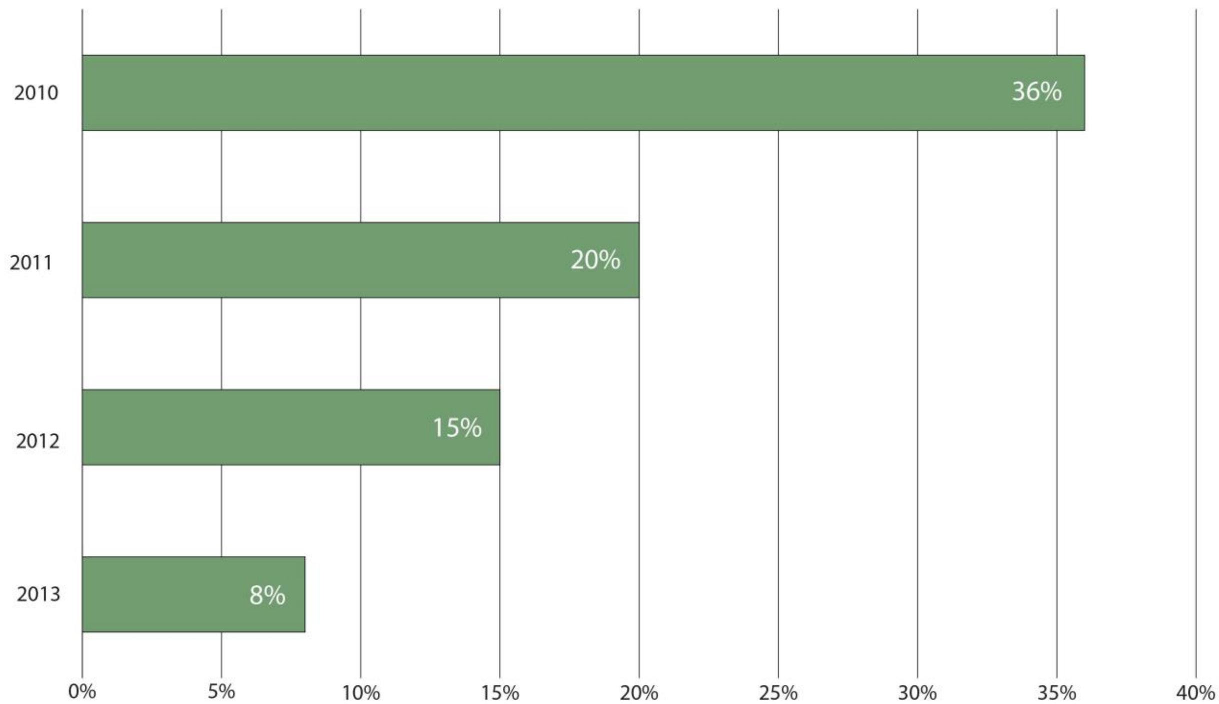


Source. Keystone Research Center based on Bureau of Labor Statistics data.

Another way to assess job growth during the economic recovery is to evaluate it compared to the jobs lost in the recession.[5] As Figure 3 shows, in the past three years — 2011, 2012, and 2013 together — Pennsylvania has gained less than half (43%) of the jobs it lost during the recession.[6] Measuring jobs gained in the last three years as a share of jobs lost during the recession, Pennsylvania ranks 38th out of the 50 states. Even if you count the jobs gained in 2010, the first full year of the recovery, Pennsylvania has only gained about 80% of the jobs lost during the recession.

Figure 3. Pennsylvania has made less progress each year since 2010 replacing the jobs lost as a result of the Great Recession

Annual job gains measured from December to December 2009 to 2013 as a share of jobs lost between December 2007 and December 2009



Source. Keystone Research Center based on Bureau of Labor Statistics data.

[5] Governor Corbett used this metric in his budget address. Text of Governor Tom Corbett's Budget Address, February 4, 2014, online at http://www.witf.org/news/2014/02/read-governor-corbetts-budget-address.php.

[6] Rather than rely on one month of data and in order to use comparable months of the year, we define the jobs lost in the recession as the jobs lost between October-December 2007 and October-December 2009. We define job gains in the last three years as jobs gained from October-December 2010 to October-December 2013. Pennsylvania's actual job-low month since the recession began was February 2010. Using single-month data, the jobs gained from December 2011 to December 2013 equal 40% of the jobs lost from December 2007 to February 2010.

Job Performance by Metro Area and County

Table 1 shows job gains by metro area in 2010, 2011, 2012, and 2013. The numbers fluctuate more year-to-year, especially in smaller metro areas, than they do at the state level. Nonetheless, in 12 of 14 metro areas, job growth was lower in 2013 than in 2010 (the exceptions being Lancaster, by a small margin, and State College). In eight of 14 areas, job growth in 2013 was less than half that of 2010. Similarly, in 13 of 14 areas, average job growth in 2011 through 2013 was less than job growth in 2010 alone, and in seven of 14 areas, average job growth over the past three years was less than half the job growth in 2010.

Table 1. Job Growth by Pennsylvania Metro Area, 2010-2013

State/Metro	2010	2011	2012	2013	2013 as % of 2010	Average for 2011-13 as % of 2010
Pennsylvania	83,600	45,900	34,600	19,000	23%	40%
Allentown-Bethlehem-Easton, PA-NJ	6,200	5,200	3,600	3,700	60%	67%
Altoona, PA	1,100	-200	400	-300	-27%	-3%
Erie, PA	3,300	1,700	-800	2,900	88%	38%
Harrisburg-Carlisle, PA	1,300	500	5000	-1500	-115%	103%
Johnstown, PA	500	-500	500	-600	-120%	-40%
Lancaster, PA	2,200	-200	3300	2300	105%	82%
Lebanon, PA	1,800	300	1,100	600	33%	37%
Philadelphia, PA Metro Div.	23,300	2900	19200	8100	35%	43%
Pittsburgh, PA	19,600	16,300	10,500	14,100	72%	70%
Reading, PA	2,700	1000	3500	800	30%	65%
Scranton--Wilkes-Barre, PA	2,700	1,700	2,100	-2,100	-78%	21%
State College, PA	800	600	-400	1900	238%	88%
Williamsport, PA	2,200	3,100	0	1,200	55%	65%
York-Hanover, PA	3,600	1200	2100	400	11%	34%

Source. Keystone Research Center based on Bureau of Labor Statistics data

Table A1 in the Appendix shows job growth by county, with counties grouped into "rural" and "urban" using the Center for Rural Pennsylvania definitions. (For data availability reasons, Table A1 uses employment levels of county residents, some of whom may be employed in other counties, rather than the number of jobs within the county.[7]) In both groups of counties, the jobs picture was tougher in 2013 than in 2010. Urban counties actually experienced a decline in resident employment in 2013. Rural counties experienced about 60% as much resident employment growth in 2013 as in 2010. Rural counties also experienced about 60% resident employment on average over the past three years (from 2011 to 2013) as in 2010.

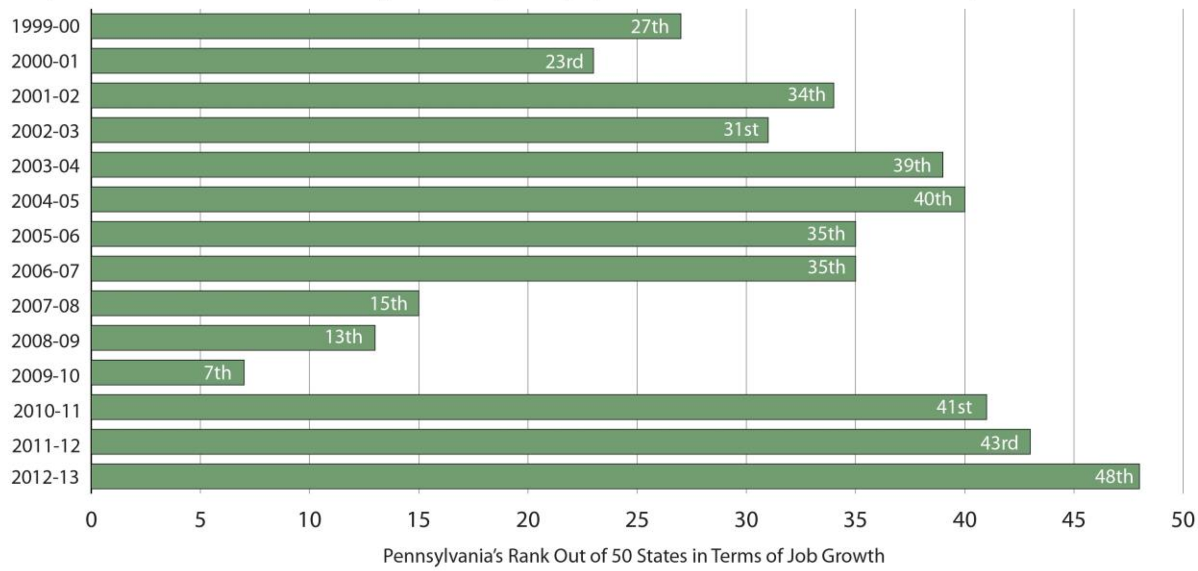
[7] At the county level, data are only currently available for 2013 for "resident employment."

Pennsylvania Ranks 48th in Job Growth

Perhaps the most frequently cited job number for Pennsylvania is the state's "job-growth ranking." Figure 4 shows Pennsylvania's job growth ranking in every year from 2000 to 2013 (based on December-to-December job growth, so "2000" in the chart means December 1999 to December 2000). Pennsylvania's job growth ranking for the most recent year, 2013, was 48th. This was the state's lowest job-growth ranking in the period shown and a dramatic fall from the 2008-10 period.

Figure 4. Pennsylvania's ranking in terms of job growth has not improved

Pennsylvania's rank out of the 50 states of the percent change in employment from December to December of each year since 1999

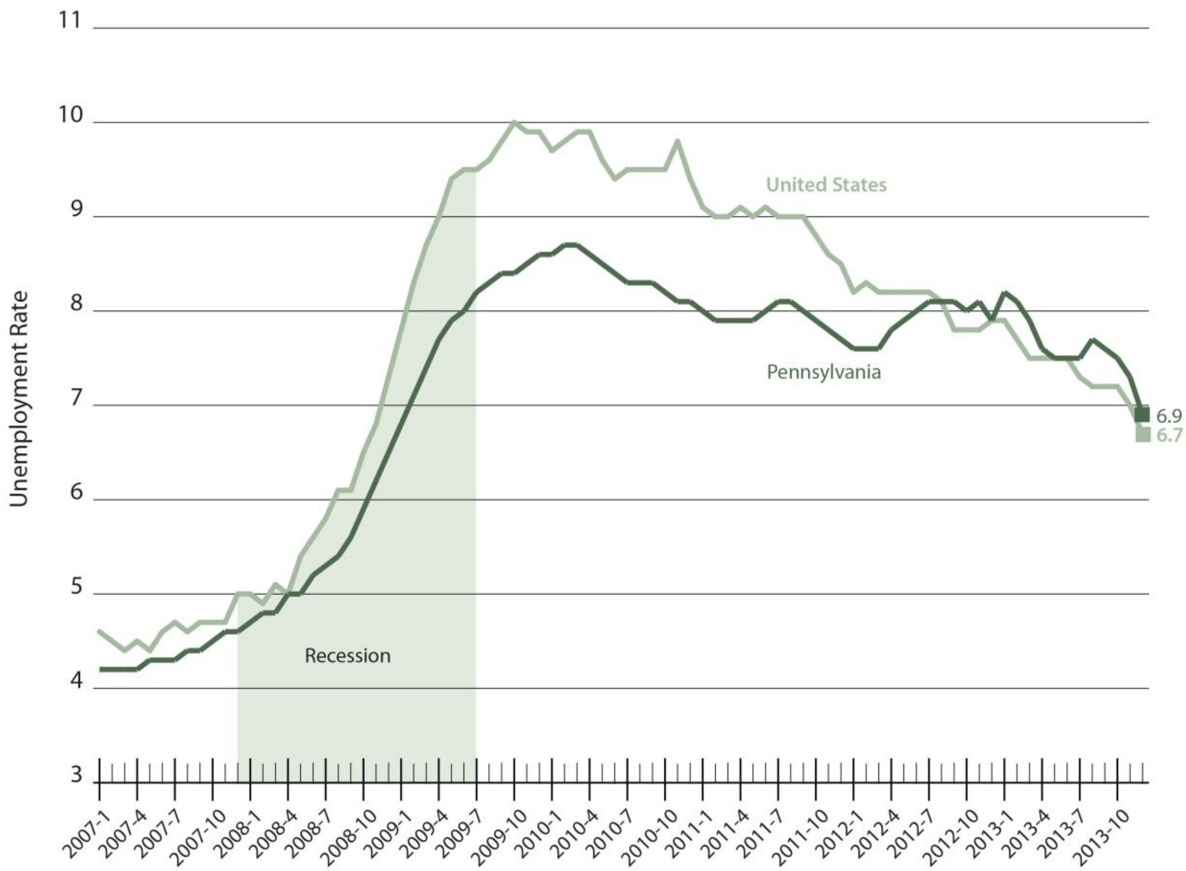


Source. Keystone Research Center based on Bureau of Labor Statistics data

Pennsylvania's Unemployment Rate Remains Above the National Rate

Another measure of economic performance is unemployment, which reached a five-year low in 2013, a sign of progress. Pennsylvania, however, made less progress on unemployment than the rest of the country in the last several years. From mid-2008 through most of 2011, Pennsylvania's unemployment rate ranged between one and one-and-a-half percentage points below the national average. Since 2011, as the state's job growth has slowed, this "Pennsylvania Advantage" has disappeared. The state's unemployment rate has now hovered at or above the national unemployment rate since mid-2012.

Figure 5. Pennsylvania's Unemployment Rate Was Lower Than the National Rate But No Longer



Source. Keystone Research Center based on Bureau of Labor Statistics data.

Pennsylvania Takes on Water as It Rides the National Economy's Wave

Many observers share the view that job creation, particularly in a slow recovery, should be the test of policy success. It is important to note that the overall national economy has a bigger impact on a state's economy than the policies of a governor or state legislature. Thus, Pennsylvania's economy has improved somewhat since 2010 as a result of the national recovery. State policies do make a difference, however, to how well a state does as it rides the wave of the national economy. Does it take on water or does it ride high above the waves? Relative to other states, Pennsylvania's economy was riding high in 2010, but since 2011 it has been taking on substantial water.

State budget policies are one major factor that Pennsylvania's economy is taking on water. Recent state budgets have relied primarily on spending cuts to balance the books, with business tax cuts further eroding available revenues. This unbalanced approach has translated into deep cuts, especially in education spending. In an economy well below full-employment and in which private consumer and business spending are insufficient to fuel a strong recovery, spending cuts are exactly the wrong approach. Public-sector layoffs resulting from budget cuts have starved the private sector of desperately needed economic demand. Simply put, laid-off employees and their families cannot buy groceries or other consumer goods at local businesses. If the state had avoided business tax cuts, enacted a real natural gas severance tax, and invested the additional revenues in Pennsylvania's schools and communities, the state's job performance would have been considerably better in the last year and last three years.

Another reason for Pennsylvania's slow job performance has been the failure of the state to invest in transportation infrastructure over the past three years despite a strong bipartisan consensus that this was needed and historically low borrowing rates and infrastructure costs (the latter because road and bridge contractors bid low when they need work). The belated passage of a transportation infrastructure package last year should gradually remove this drag on the state's economy.

Third, the state has done nothing to boost middle-class wages. Along with slow job growth, flat wages are a central reason that private consumption has not rebounded more quickly from the recession. By contrast, three neighboring states, including two with Republican Governors, increased their minimum wage in January — to $8.25 per hour in New Jersey, $8 in New York, and $7.95 in Ohio.[8] If Pennsylvania had increased its minimum wage, providing workers more purchasing power, that too could have helped boost the recovery.

Pennsylvania policymakers should reverse the misguided policy choices outlined above in order to lay the groundwork for a better 2014 on the jobs and unemployment front. Pennsylvania should accept federal funding to expand Medicaid health coverage under the Affordable Care Act, enact a real natural gas severance tax, and eschew further unaffordable business tax cuts that have not created jobs. Pennsylvania could then use these additional funds to invest in education, health care, and worker training for good jobs in demand. In addition, policymakers should implement the transportation infrastructure package with an urgency missing during the last three years of treading water.

Investing in the future, accepting federal dollars available to improve the health of Pennsylvanians, and smart business taxation (such as a severance tax on drilling paid mostly by people out of state) will allow us to make the investments that create jobs and keep our heads above water.

The Keystone Research Center is an independent, nonpartisan research organization that promotes a more prosperous and equitable Pennsylvania and U.S. economy.

[8] The Economic Policy Institute estimates that increasing the minimum wage to $10.10 per hour would create 140,000 jobs by the time it is fully phased in, including 5,000 in Pennsylvania. See David Cooper and Doug Hall, *Raising the Federal Minimum Wage to $10.10 Would Give Working Families, and the Overall Economy, a Much-Needed Boost*, http://www.epi.org/publication/bp357-federal-minimum-wage-increase/.

Appendix

Table A1 reports on the growth in jobs held by residents of the county, not growth in non-farm jobs within the county itself. This shift in data is necessary because the only data available for 2013 are for "resident employment" at the county level. As the top line of the table illustrates, resident employment growth in Pennsylvania was actually negative for 2013. From 2011 to 2013, resident employment growth in Pennsylvania was 63% of the level in 2010 versus 40% for non-farm employment. Less than a quarter of Pennsylvania counties (15) enjoyed greater job growth in 2013 than in 2010. About a quarter (17) also experienced faster job growth on average from 2011 to 2013 than in 2010.

Table A1. Change in Resident Employment 2010 to 2013, by Pennsylvania County

State/County	2010	2011	2012	2013	Higher in 2013 than 2010	Average for 2011-13 Higher than 2010
Pennsylvania	**62,000**	**48,000**	**85,000**	**-16,000**	**No**	**No**
Adams	1,000	-200	400	800	No	No
Allegheny	8,800	11,000	9,300	2,100	No	No
Armstrong	800	300	500	100	No	No
Beaver	300	1,300	1,300	300	No	Yes
Bedford	1,000	-200	0	300	No	No
Berks	2,800	400	3,900	-100	No	No
Blair	500	-300	600	-800	No	No
Bradford	3,200	1,200	-1,400	1,100	No	No
Bucks	1,800	300	5,200	-1,300	No	No
Butler	500	1,900	1,400	400	No	Yes
Cambria	400	-500	900	-1,300	No	No
Cameron	200	-100	0	0	No	No
Carbon	700	300	500	100	No	No
Centre	400	300	100	-400	No	No
Chester	1,600	2,000	4,200	-1,000	No	Yes
Clarion	-400	-100	100	200	Yes	Yes
Clearfield	600	400	200	200	No	No
Clinton	700	800	-200	500	No	No
Columbia	800	300	900	1,000	Yes	No
Crawford	1,400	300	-300	400	No	No
Cumberland	-400	900	2,100	-1,100	No	Yes
Dauphin	2,400	100	2,300	-1,300	No	No
Delaware	2,200	-200	4,300	-1,100	No	No
Elk	900	500	-200	100	No	No
Erie	3,100	1,600	700	600	No	No

Source. Keystone Research Center based on Local Area Unemployment Statistics data provided by the Pennsylvania Department of Labor

Table A1. (Cont.)

State/County	2010	2011	2012	2013	Higher in 2013 than 2010	Average for 2011-13 Higher than 2010
Fayette	-1,900	600	900	200	Yes	Yes
Forest	300	-300	0	0	No	No
Franklin	1,100	900	1,200	1,100	No	No
Fulton	0	300	100	100	Yes	Yes
Greene	1,100	1,400	600	500	No	No
Huntingdon	300	0	0	-300	No	No
Indiana	600	900	-200	600	No	No
Jefferson	1,000	200	-300	400	No	No
Juniata	300	-100	0	200	No	No
Lackawanna	800	700	900	-1,400	No	No
Lancaster	3,500	-600	3,000	600	No	No
Lawrence	-100	700	200	-200	No	Yes
Lebanon	1,800	500	900	-200	No	No
Lehigh	3,400	3,500	3,100	600	No	No
Luzerne	900	1,200	1,300	-2,100	No	No
Lycoming	2,200	2,500	600	500	No	No
McKean	600	600	300	700	Yes	No
Mercer	400	500	700	-300	No	No
Mifflin	600	0	-100	100	No	No
Monroe	-600	-300	300	600	Yes	Yes
Montgomery	11,500	1,500	6,700	-1,600	No	No
Montour	200	100	200	300	Yes	No
Northampton	-100	2,000	2,600	500	Yes	Yes
Northumberland	500	-100	400	2,000	Yes	Yes
Perry	-100	-100	400	-200	No	Yes
Philadelphia	-4,000	3,200	9,700	-2,200	Yes	Yes
Pike	-1,900	-100	500	0	Yes	Yes
Potter	400	100	0	500	Yes	No
Schuylkill	200	700	1,100	1,200	Yes	Yes
Snyder	300	-300	100	800	Yes	No
Somerset	700	-200	-500	-100	No	No
Sullivan	100	200	0	100	No	No
Susquehanna	1,200	700	400	1,000	No	No
Tioga	1,500	700	-100	1,000	No	No
Union	400	100	100	500	Yes	No
Venango	700	200	-600	100	No	No
Warren	0	100	0	100	Yes	Yes

Source. Keystone Research Center based on Local Area Unemployment Statistics data provided by the Pennsylvania Department of Labor

Table A1. (Cont.)

State/County	2010	2011	2012	2013	Higher in 2013 than 2010	Average for 2011-13 Higher than 2010
Washington	1,300	1,700	1,500	400	No	No
Wayne	300	-300	400	600	Yes	No
Westmoreland	3,200	2,300	2,700	600	No	No
Wyoming	0	100	100	-100	No	Yes
York	2,200	2,000	3,800	-1,300	No	No
Rural	**24,400**	**16,400**	**11,800**	**15,100**	**No**	**No**
Urban	**45,800**	**33,700**	**68,000**	**-9,400**	**No**	**No**

Source. Keystone Research Center based on Local Area Unemployment Statistics data provided by the Pennsylvania Department of Labor