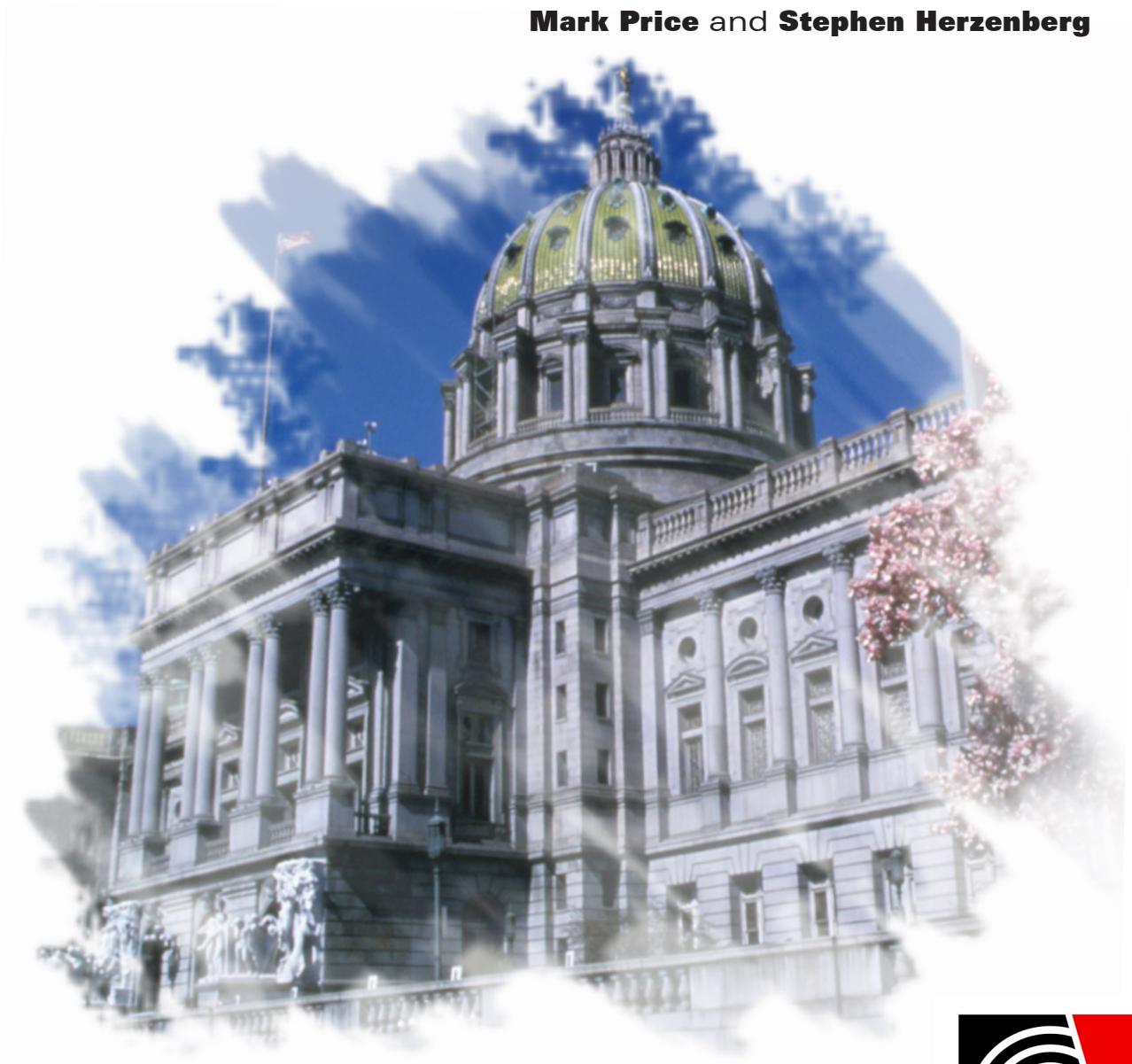

The State of Working Pennsylvania 2011

Mark Price and **Stephen Herzenberg**



The Keystone Research Center
Harrisburg, Pennsylvania





The Keystone Research Center

The Keystone Research Center (KRC) was founded in 1996 to broaden public discussion on strategies to achieve a more prosperous and equitable Pennsylvania economy. Since its creation, KRC has become a leading source of independent analysis of Pennsylvania's economy and public policy. The Keystone Research Center is located at 412 North Third Street, Harrisburg, Pennsylvania 17101-1346. Most of KRC's original research is available from the KRC website at www.keystoneresearch.org. KRC welcomes questions or other inquiries about its work at 717-255-7181, or toll free at 888-618-2055.

About the Authors

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Acknowledgments

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EXECUTIVE SUMMARY

A strong current of recent opinion suggests that there is “nothing we can do” about an economy threatening to again spiral down and a middle class under assault. We strongly disagree. While most of this report will focus on how poorly our economy is performing from the perspective of typical families, do not mistake that emphasis for pessimism or fatalism. Our economic problems, in the short and the long run, are largely self-inflicted. We can have a U.S. and Pennsylvania economy that is dynamic and innovative and has a strong middle class. The end of the report briefly outlines how.

In the last year—and for three decades as detailed in a mid-summer [report](#) from the Keystone Research Center in partnership with Demos—the U.S. and Pennsylvania economies have not been serving the vast majority of the population well.

Over that time, and most transparently in the last year, public policy in the United States and Pennsylvania has centered on “austerity economics,” which fixates on short-term spending when that is not our most immediate problem. This has often served to worsen the U.S. economy for most people. It has increased joblessness, pressed down on wages, increased economic inequality and undercut the American Dream of upward mobility.

One of the political questions of our time is how long this perverse situation can continue.

There are some signs that the willingness of people to accept policies that negatively impact their living standards and economic security may not be unlimited. For example, Hershey’s reliance on 400 foreign exchange students—who between them earned roughly two-thirds of the company CEO’s salary in 2010—to package the company’s candy provoked broad outrage, suggesting a deeper resentment at corporate restructuring that undermines the middle class.

One factor that keeps a lid on popular discontent is the perception that the economy and conservative - economic policies are still performing “OK” for most people. Some conservatives, going further, suggest that “unemployment” is a “choice”—the unemployed are taking a vacation. Another argument is that the unemployed do not have the right skills.

The gist of this report is that, from the perspective of the overwhelming majority of Pennsylvania workers, our economic system is not performing “OK.”

A Broken Job Market

In the 1930s, unemployment peaked at 25% and the collapse of the economic system was palpable to almost everybody (the exception being a few conservative economists who even then insisted unemployment was “voluntary”). In the recent Great Recession, the American Recovery and Reinvestment Act and federal government actions to stabilize financial markets stopped the freefall of the economy. As a result, the official unemployment rate peaked nationally at about one in 10 workers and peaked in Pennsylvania at roughly one in nine.

Since the federal actions of 2008-09, however, at the federal and state levels, a focus on government “spending less” even though businesses and consumers are not yet willing or able to sustain the

recovery on their own has stalled our recovery and kept unemployment high. With the new debt limit deal in Washington, austerity economics appears locked in for at least another two years.

Over time, more and more Pennsylvanians experience first-hand the impact of these misguided economic policies.

- **Over one in four Pennsylvania workers—and nearly one in three U.S. workers—have had less paid work than they want during the last 12 months.** This total includes
 - The roughly 8% of people unemployed each month (the Pennsylvania unemployment rate in July 2011 was 7.8%).
 - An additional roughly 6% of the labor force each month who are not officially unemployed but are “underemployed”—either working part-time when they want full-time work or jobless but not counted as unemployed.
 - An estimated 11-14% of the labor force that are currently employed but were unemployed or underemployed at some other point in the year.
- National poll results reveal that, **between 2009 and 2011, 43% of likely voters had been unemployed or someone in their family has been unemployed.** Since likely voters are a significantly more educated, higher-income group than typical voters, the share of all workers that have been unemployed or had a family member unemployed almost certainly exceeds 50%.
- **For every job opening in Pennsylvania, there are approximately eight Pennsylvania workers who want more paid work.** This total of eight includes four unemployed people and another nearly four people who are underemployed.
- **In July 2011, Pennsylvania’s job deficit**—the number of jobs needed to reach “full employment” (defined as the employment to population ratio prior to the Great Recession)—**remained 227,100.**

Declining Middle-Class Wages and Incomes, a Big Increase in Profits and CEO Pay

Most Pennsylvanians who do not experience joblessness themselves or within their family, feel the impact of austerity economics in the form of wage and income stagnation.

- **Over the business cycle from 2002 to 2010, wages were stagnant for all Pennsylvania earners except the highest-paid 5%.** Lower down in the earnings distribution, wage changes in this eight-year period ranged from a fall of 1.5% to an increase of 2.1%.
- A college education no longer protects workers against wage stagnation: **college-educated Pennsylvanians experienced a 3.1% decline in hourly earnings from 2002 to 2010.**
- Meanwhile, **CEO pay rose 23% in the United States in 2010.**
- **Profits nationally reached 26% of national income in 2010, their highest share since World War II.** (No state-level data exist on profits.)

Austerity Economics Doesn't Work

Our economy is broken and most people now know that first hand.

Even so, some voices call for more extreme austerity and for government to do nothing—to trust the market to right itself automatically. They advocate a balanced budget amendment or call the actions of the Federal Reserve Bank treasonous.

In the three quarters of a century from around 1860 to the 1930s, the United States actually ran an experiment similar to the suggestion now being made that we stop using federal government (fiscal or monetary) policy to strengthen the economic recovery.

How well did this work? Not too well.

From 1857 to 1928, the U.S. economy was in recession nearly half the time. Following that, Herbert Hoover's policies—the culmination of our grand experiment in assuming our national economy could self regulate—brought us the Great Depression.

Since 1945, with the Federal Reserve Bank and national government more actively seeking to prevent deep economic downturns, the economy has been in recession 18% of the time.

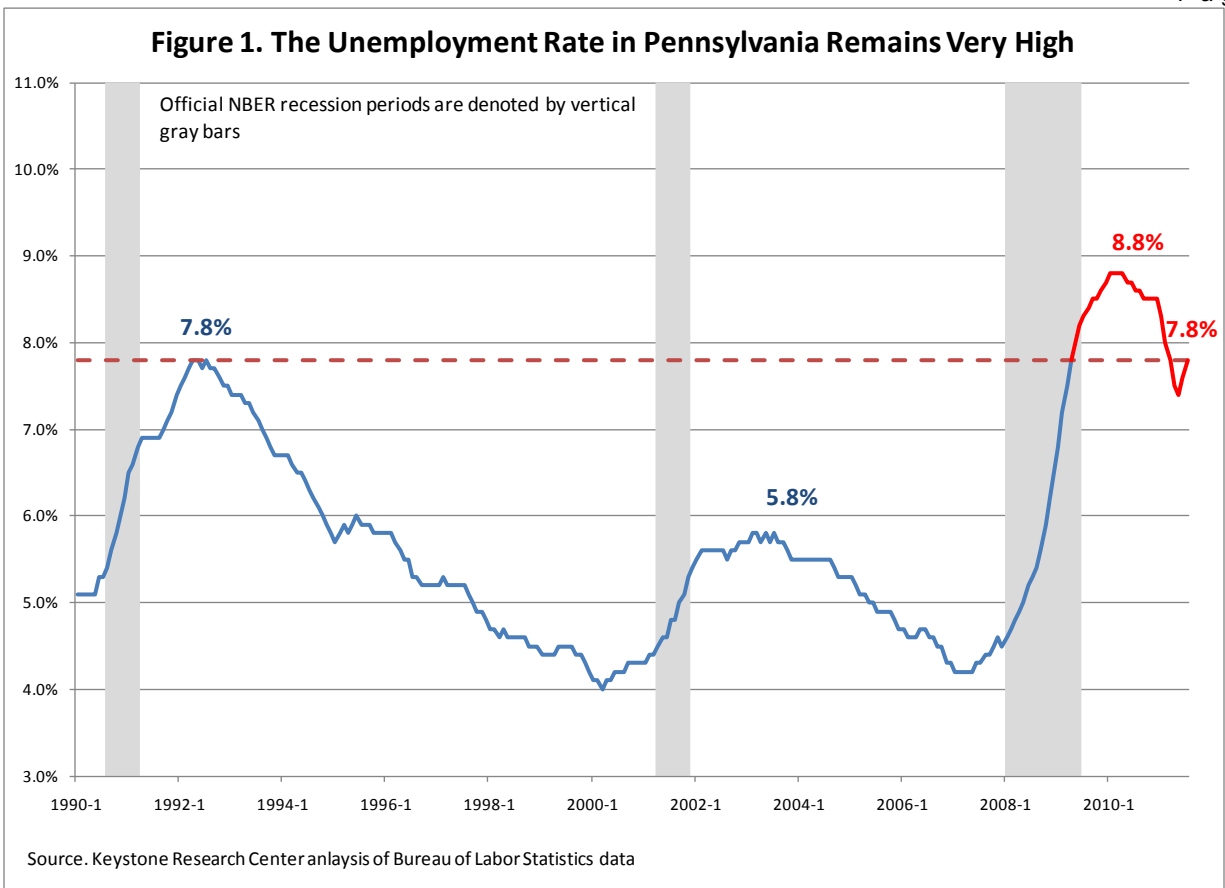
Those who do not know this history, or choose to ignore it, are threatening to doom us all to repeating it.

Even the members of the conservative business organization, the National Federation of Independent Business (NFIB) know full well that the problem today is a lack of demand—not taxes, not regulation. In regular surveys of NFIB members, a lack of sales jumped up to become far and away the greatest concern early in the Great Recession. Lack of sales has remained the clear top concern since then.

What the U.S. and Pennsylvania need today is a bold departure from austerity economics. In the short run, this departure needs to create jobs and get the economy moving. In the longer run it needs to rebuild the American middle class, so that rising living standards rather than debt-financed consumption and government spending drive our economy. The last section of this report sketches how a new direction for U.S. policy could create a “moral economy”—one that is more competitive economically and that supports rather than undercuts American values including the American Dream.

THE BROAD IMPACT OF THE GREAT RECESSION

During the recessions of the early 1990s and early 2000s, unemployment never went above 7.8% in Pennsylvania. As of July, unemployment in Pennsylvania has now been at or above 7.8% for all but one of the past 25 months.



The official unemployment rate doesn't capture people who have had their hours cut or people who have given up looking for work because they believe there is none available. The underemployment rate does include these workers as well as the officially unemployed. On average one in seven Pennsylvania workers (14%) in the last 12 months had less paid employment than they want—because they are either jobless or are working part-time when they want full-time work.¹

In both good and bad times the labor market is constantly churning with the unemployed finding new jobs and some of the employed losing their jobs.² As a result the total number of people that experience unemployment (or underemployment) at any point in a year will be higher than the number of people reporting unemployment (or underemployment) at a single point in time.

On average in 2009 (the latest year for which all of the estimates that follow can be made) there were 513,500 unemployed workers in Pennsylvania each month (or 8% of the labor force). However at some point in 2009, 938,100 or 14.3% of people in the commonwealth were unemployed.³

¹ Bureau of Labor Statistics, Alternative Measures of Labor Underutilization for States, Third Quarter of 2010 through Second Quarter of 2011 Averages available online <http://www.bls.gov/lau/stalt.htm>

² Although much higher than normal half of all unemployed Pennsylvania workers in 2010 were unemployed for less than 17 weeks.

³ Pennsylvania figures are derived from the March 2010 CPS for Pennsylvania. In the United States as a whole there were an average of 14.3 million workers unemployed each month in 2009 but a total of 26 million who experienced unemployment at some point in 2009. <http://www.bls.gov/news.release/work.t03.htm>.

Using two different methods, we estimate that for the Pennsylvania workforce as a whole, over a quarter of the workforce was unemployed or underemployed at some point in 2009.⁴ Similar estimates for the United States are close to one third of the workforce.

Although we do not have data since 2009, the average unemployment rate in all 12 month periods since then has been at or slightly above the levels of 2009. Therefore, over a quarter of the Pennsylvania workforce has likely continued to experience unemployment or underemployment during any year-long period since 2009. These data make clear that the impact of the recession extends well beyond the average number of people experiencing unemployment at any point in time.

The estimates above are consistent with national poll results, which find that 43% of likely voters had been unemployed or someone in their family had been unemployed between 2009 and the time of the survey.⁵ Since likely voters are a more educated, higher-income group than average, over half of the U.S. workforce has almost certainly experienced unemployment directly or in their family since 2009.

The Main Problem Is a Job Shortage Not Workers Who Lack the Right Skills

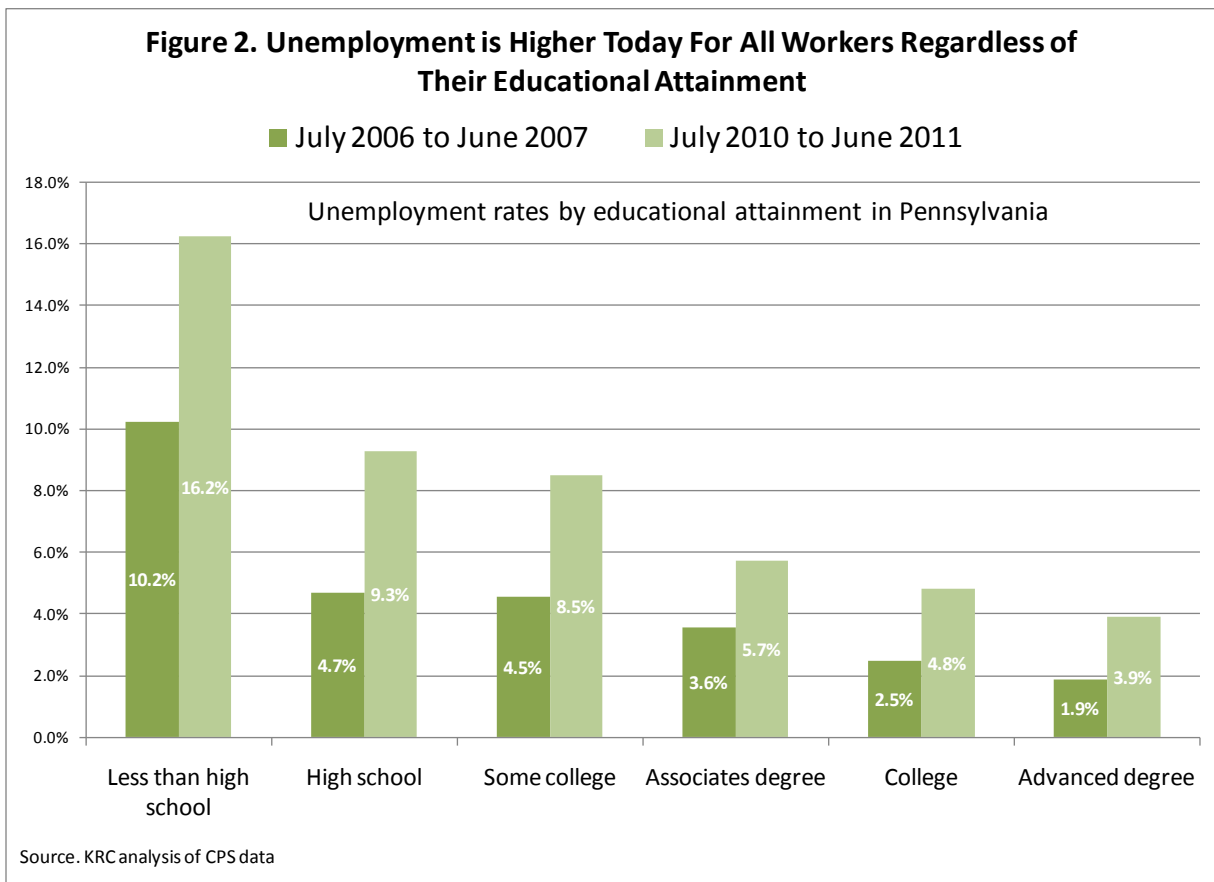
As unemployment has remained high even as the economy has technically entered recovery the claim has been made that hiring has failed to pick up because employers are unable to find workers with the right skills. Of course, there is always some degree of mismatch between workers who are available and the workers that employers need. There is, however, very little evidence that the economy was hit by a wave of technological change that suddenly destroyed the utility of the skills possessed by thousands of Pennsylvania workers. In June, in Pennsylvania, there were an estimated four unemployed workers in Pennsylvania for every job opening.⁶ Taking the ratio of underemployed to unemployed Pennsylvania workers (14.3 to 7.8), we estimate that there were 7.5 workers who wanted more paid work for each job opening.

⁴ The underemployment rate known officially as the U-6 measure of the underutilization of labor is the total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers. Using the March current population survey (CPS) it is not possible to construct a similar estimate for the number of workers who were underemployed at any time in the year. However it is possible to use the March CPS to estimate in 2009 that there were 652,800 people employed part-time at some point in year because of slack work or because they couldn't find a full-time job. This figure is twice the 2009 average number of people in Pennsylvania reporting working part-time for economic reasons. Based on this difference twice the underemployment rate (27.6%) is a reasonable approximation of the number of workers that experienced underemployment at some point in 2009. Another approach to estimate this figure is to assume that the relationship between the average unemployment and underemployment over the year is the same for average underemployment and underemployment over the year ($14.8/8 * 13.8 = 25.5\%$).

⁵ Lawrence Mishel and Heidi Shierholz, *Sustained, High Joblessness Causes Lasting Damage to Wages, Benefits, Income, and Wealth*, August 31, 2011. Available online at <http://goo.gl/oCVV4>.

⁶ Heidi Shierholz, "Two-and-a-Half Years of a Job-seeker's Ratio Above 4-to-1," August 10, 2011, available online at <http://goo.gl/1wa5l>. Based on the Job Openings and Labor Turnover Survey (JOLTS) Shierholz estimates that in June there were 4.5 unemployed workers in the United States for every available job opening. Pennsylvania specific data from the JOLTS is not available. The Center for Workforce Information and Analysis in the Pennsylvania Department of Labor and Industry does however publish estimates from Help Wanted Online Ads. While the Help Wanted Online data is not a comprehensive survey of job openings it does provide both a national and Pennsylvania specific estimate of the number of unemployed workers per job opening. In June there were 3.4 unemployed workers for every job opening nationally and 2.9 unemployed workers for every opening in Pennsylvania. Taking the ratio of 2.9 to 3.4 and multiplying by the JOLTS estimate of unemployed workers per job opening we estimate that there were 4.1 unemployed workers in Pennsylvania for every job opening.

Another way to explore whether there is a skill mismatch in the economy is to explore whether workers with different education levels have been affected differently by the recession. Figure 2 presents unemployment rates by educational attainment in Pennsylvania before the recession began in 2006/07 and in the most recent twelve month period. Unemployment rates for workers of all educational levels in Pennsylvania have increased substantially. Even workers with a college degree and an advanced degree have seen their unemployment rates double over the course of this recession. This data illustrates quite clearly that more education leads to lower unemployment rates but also that education does not protect you from a large drop in aggregate demand.



Declining Middle-Class Wages and Incomes, a Big Increase in Profits and CEO Pay

Most Pennsylvanian’s who don’t directly experience joblessness themselves or in their family, feel the impact of austerity economics because it leads to wage and benefit erosion, and to income stagnation.

Figure 3 presents inflation adjusted growth in earnings by decile in Pennsylvania over the period 1995 to 2001 and the more recent 2002 to 2010 period (See Table C1 in Appendix C for the wage levels that correspond to each decile). The eight years from 2002 to 2010 spans a business cycle, from the first year after the end of the 2001 recession to the first year after the “official” end of the Great Recession. The period from 1995 to 2001 was a period of robust economic expansion with an average unemployment rate of 4.9% where just over one in five months was the unemployment rate above 5.5%.

From 1995 to 2001, with unemployment low-, middle- and high-wage workers enjoyed healthy wage growth. Contrast this with the period since 2002 in which the average unemployment rate was 6% and

more than half the time (58%) unemployment was above 5.5%. With labor markets weak low-wage workers lost ground while the typical Pennsylvania worker saw their wages increase by 1.4% over eight years or by about 3 cents per hour per year. Workers in the 95th percentile of wage earners did a bit better gaining 4.4% over the whole period. (In other research, Keystone Research Center has shown that the very highest earners in Pennsylvania did very well indeed in this period, experiencing very large income increases.)

Figure 4 presents Pennsylvania wage trends by educational level in the late 1990s and the early-to-late 2000s (See Table C2 in Appendix C for earnings level of each educational attainment category). Although college graduates made substantial gains in the 1990s, a weak economy since 2002 has reduced real earnings for college graduates in Pennsylvania by 3.1%.

In recent weeks it has become clear that the economy grew too slowly to reduce unemployment in the first half of this year. Some economic forecasters are now projecting unemployment at or near its current levels through the end of 2012. Prolonged weakness in the labor market will most likely mean that wage growth will remain restrained for the next several years.

Over the last year, while job and economic growth remained weak, corporate profits grew by 8%.⁷ The share of corporate income going to profits (i.e., “non-labor income”) equaled 26.2% in 2010. This was the highest level since World War II. Over the period 1960 to 2007, corporate profits averaged 20.5% of corporate income.⁸

Along with profits, CEO pay in the United States rose rapidly in 2010. (CEO pay or “compensation” is defined here to include salary, cash bonuses, and the value of stocks and options. Compensation does not include benefits.) Two different sources put CEO pay increases nationally at more than 20%. An analysis for *USA Today* of 158 companies in the Standard & Poor’s 500 index found that CEO pay rose 27% in 2010 (<http://www.usatoday.com/money/companies/management/story/CEO-pay-2010/45634384/1>). The same report noted that CEO pay in 2010 remained below 2007 levels.

In a larger sample of 299 companies in the S&P 500 Index, Sales.com found that executive pay rose 23.1% in 2010 (<http://www.aflcio.org/corporatewatch/paywatch/>). Sales.com also collects CEO pay for a bigger sample of companies in the “Russell 3,000” list of the largest 3,000 public companies in the United States. For 145 Pennsylvania-based companies on this larger list, Appendix Table A lists the name and compensation of each CEO. Topping the list is Brian Roberts of Comcast, with total compensation of over \$31 million. Hershey’s CEO in 2010, David J. West, now at Del Monte, earned \$10,487,816 (see also <http://people.forbes.com/profile/david-j-west/76703>). This amounts to 55% more than the combined salaries of 400 foreign exchange students earning \$8.15 per hour if they work full-time, full-year. New Hershey CEO John Bilbrey earned \$4,214,807 in 2010 (<http://people.forbes.com/profile/john-p-bilbrey/51902>). This is only as much as the full-time, full-year wages of 249 foreign students earning \$8.15 per hour to package Hershey’s candy.

⁷ http://www.bea.gov/newsreleases/national/gdp/2011/gdp2q11_2nd.htm

⁸ Mishel and Shierholz, *Sustained, High Joblessness Causes Lasting Damage*, p. 23.

Figure 3. Wage Growth in the Last Eight Years Has Been Appallingly Weak in Pennsylvania

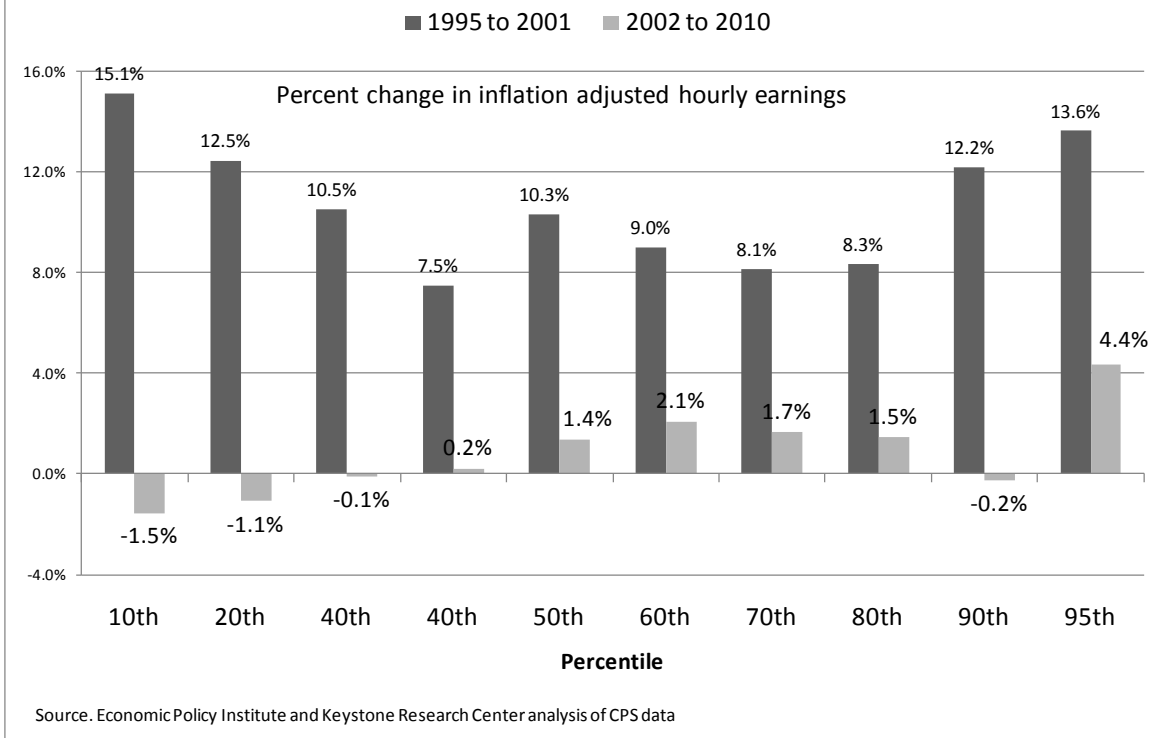
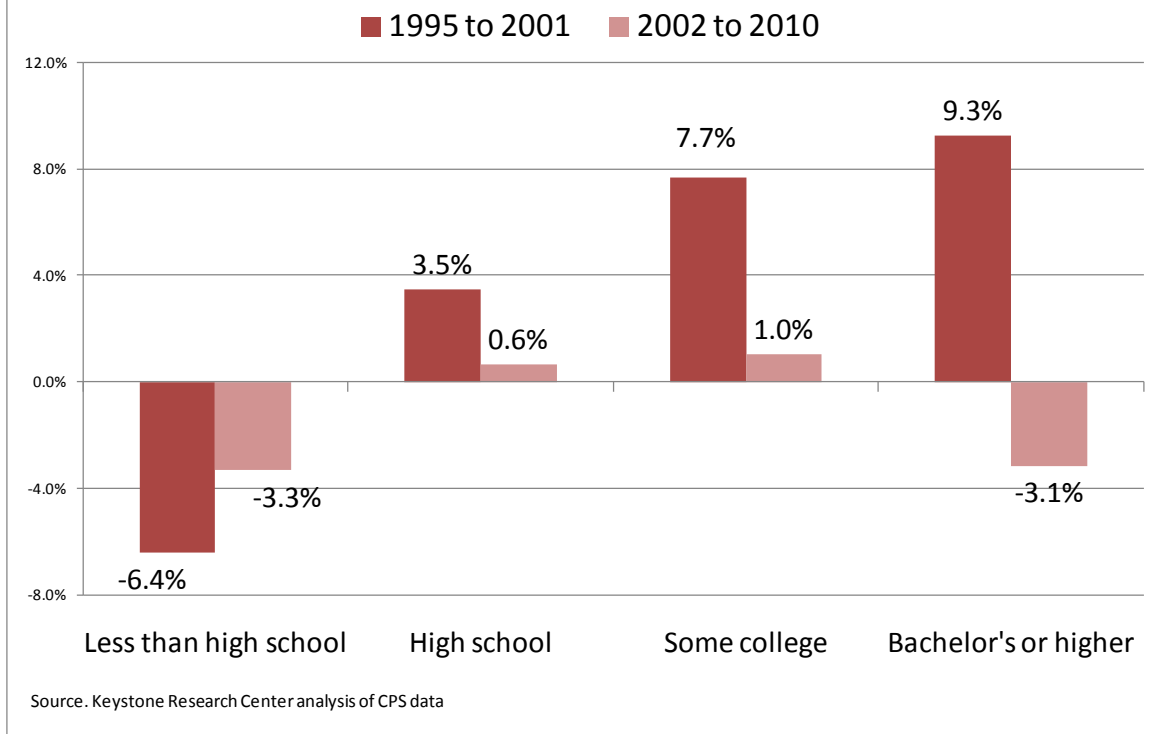


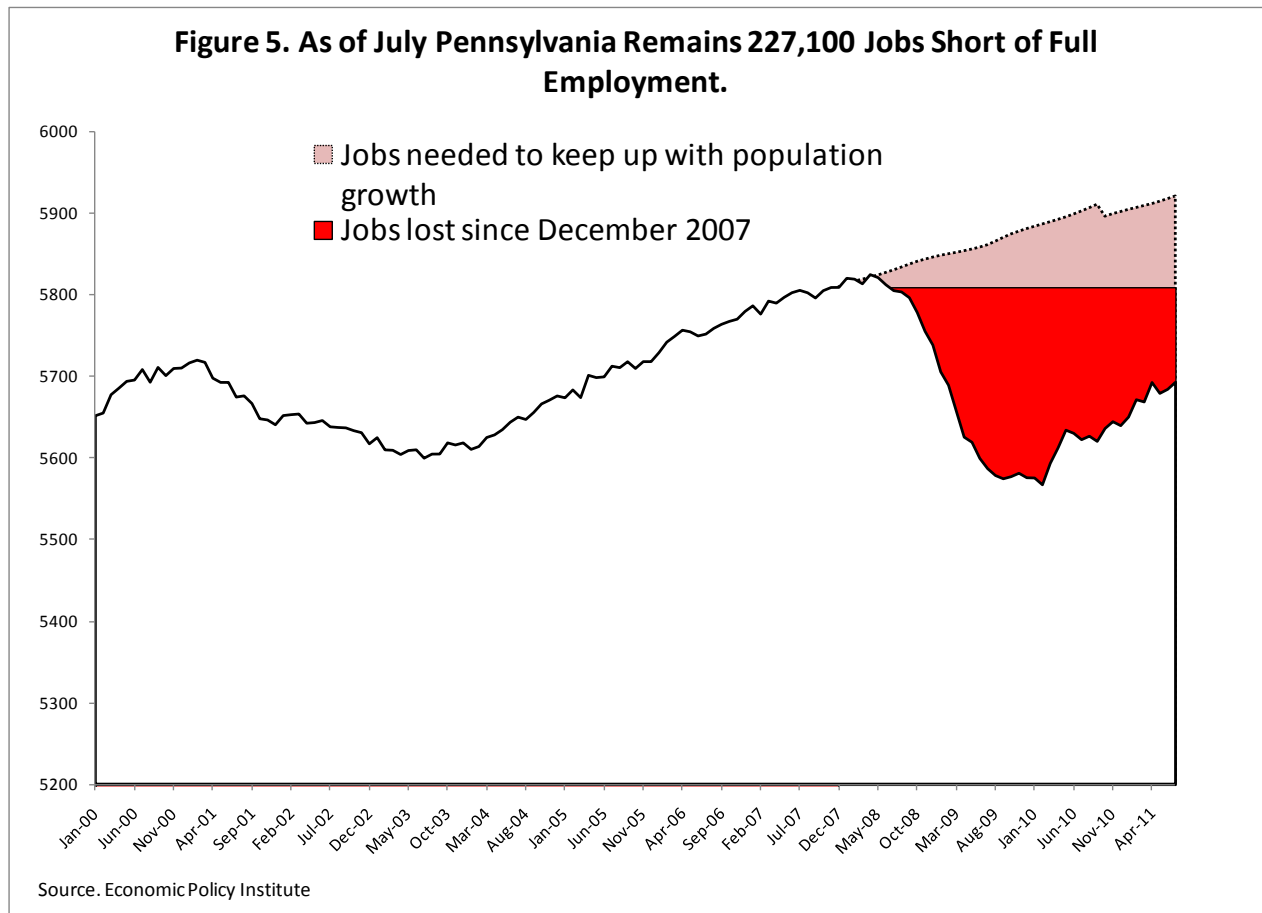
Figure 4. Education Provides Little Protection From Wage Stagnation In Periods of High Unemployment



THE SUBSTANTIAL RISKS AHEAD

The best indicator of the magnitude of the jobs problem in the economy is Pennsylvania’s jobs deficit (Figure 5). The jobs deficit is the difference between the number of jobs Pennsylvania has and the number it needs to regain its pre-recession employment rate, and that figure now stands at 227,100. That includes the 116,400 jobs Pennsylvania has lost since December 2007 plus 110,700 jobs it needs to keep up with the 1.9% growth in the working-age population during the 43 months since the recession began.

To get back to full employment in three years (July 2014) Pennsylvania would need to create an average of 7,500 jobs a month. On average Pennsylvania added 100 jobs a month in the last three months.



While the current jobs deficit is large, austerity economics at the state and federal level threatens to make it larger.

State and Local Job Loss

With disappointing revenue collections and lawmakers’ reluctance to raise revenues, state and local government in Pennsylvania already began laying off workers in the last year. It is likely that we “ain’t seen nuthin’ yet.”

Between July 2010 and July 2011, state and local government in Pennsylvania shed 3,400 jobs. In the recently approved Pennsylvania state budget, the deep spending cuts in education programs, and other spending cuts, will lead to more job losses in local and state government over the next year.

The Loss of Extended Unemployment Benefits and Other Federal Cuts

Last December, in exchange for a two-year extension of the Bush tax cuts for the wealthy, federally financed unemployment benefits were extended through the end of this year. Nationwide there were 4.5 unemployed workers for every job opening in June.⁹

With so few job openings, the unemployed take longer than normal to find jobs. As a result extended unemployment benefits represent an important source of income. Table 1 reports the share of “transfers” in personal income in 2007 and in 2010 for Pennsylvania and 13 metropolitan areas. Transfers include payments to social security recipients, food stamp relief and unemployment insurance payments. While some of the increase in transfers as a share of personal income is due to the aging population, an important part of the increase comes from unemployment benefits because of the increase in unemployment. Should unemployment benefits not be extended after December, thousands of workers in Pennsylvania will lose an important source of income which will no doubt further slow the pace of job growth.

Table 1.

The change since 2007 in transfers as a share of personal income by metropolitan area in Pennsylvania

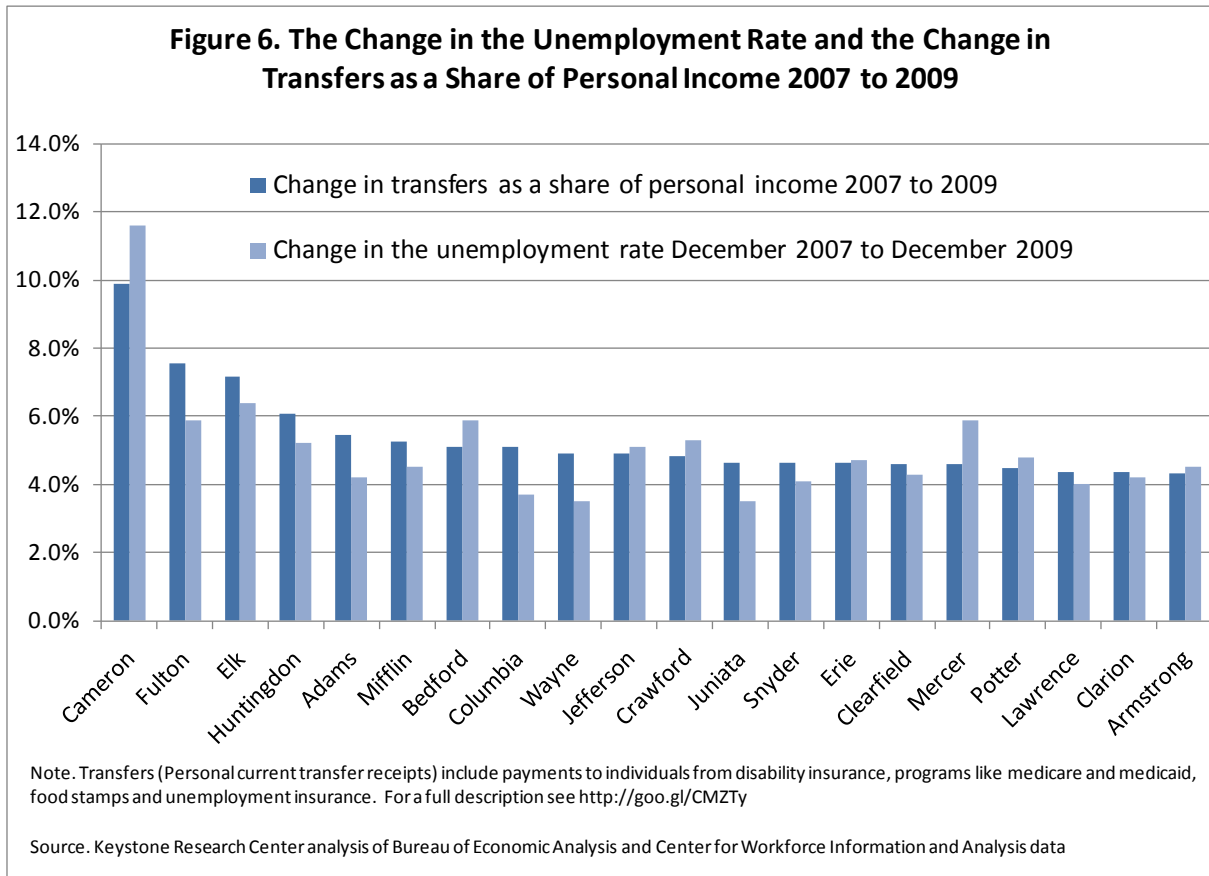
	2007	2010	Change (percentage points) since 2007
United States Metropolitan Portion	13%	17%	3.8%
Pennsylvania	17%	21%	3.5%
Allentown-Bethlehem-Easton, PA-NJ	17%	21%	4.0%
Altoona, PA	25%	29%	4.5%
Erie, PA	22%	27%	5.5%
Harrisburg-Carlisle, PA	15%	19%	3.8%
Johnstown, PA	28%	32%	3.7%
Lancaster, PA	15%	19%	4.3%
Lebanon, PA	17%	21%	3.7%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	14%	18%	3.3%
Pittsburgh, PA	19%	22%	3.1%
Reading, PA	17%	21%	4.5%
Scranton-Wilkes-Barre, PA	22%	27%	4.2%
State College, PA	14%	17%	2.8%
Williamsport, PA	22%	26%	3.9%
York-Hanover, PA	15%	19%	4.2%

Note. Transfers (Personal current transfer receipts) include payments to individuals from disability insurance, programs like medicare and medicaid, food stamps and unemployment insurance. For a full description see <http://goo.gl/CMZTy>

Source. KRC analysis of Bureau of Economic Analysis data

⁹ Heidi Shierholz, *Two-and-a-half years of a job-seeker's ratio above 4-to-1*, August 10, 2011 available online <http://www.epi.org/publications/entry/7441/>

Figure 6 shows transfers as a share of personal income in the 20 counties where this share increased most between 2007 and 2009 (See Appendix B for data from all 67 counties). In four counties, transfers as a share of income increased 6-10%. Furthermore, in these mostly rural “top 20” counties, unemployment as of June 2011 remains high. Failing to extend unemployment insurance benefits in many of these communities will likely spur new rounds of local job losses. Any additional immediate federal spending cuts that result from the “Supercommittee” created by the compromise reached to raise the federal debt limit could lead to additional job losses.



Austerity Economics Doesn't Work

While the shift from stabilizing the economy in 2009 to “austerity economics” in 2010 and 2011 has slowed the economic recovery, some voices still call for more extreme austerity and for government to do nothing—to trust the market to right itself automatically. They advocate a balanced budget amendment that would prohibit “Keynesian” deficit spending such as the Recovery Act. The Federal Reserve Bank also faces political pressure to be creative in its effort to stimulate the economy.

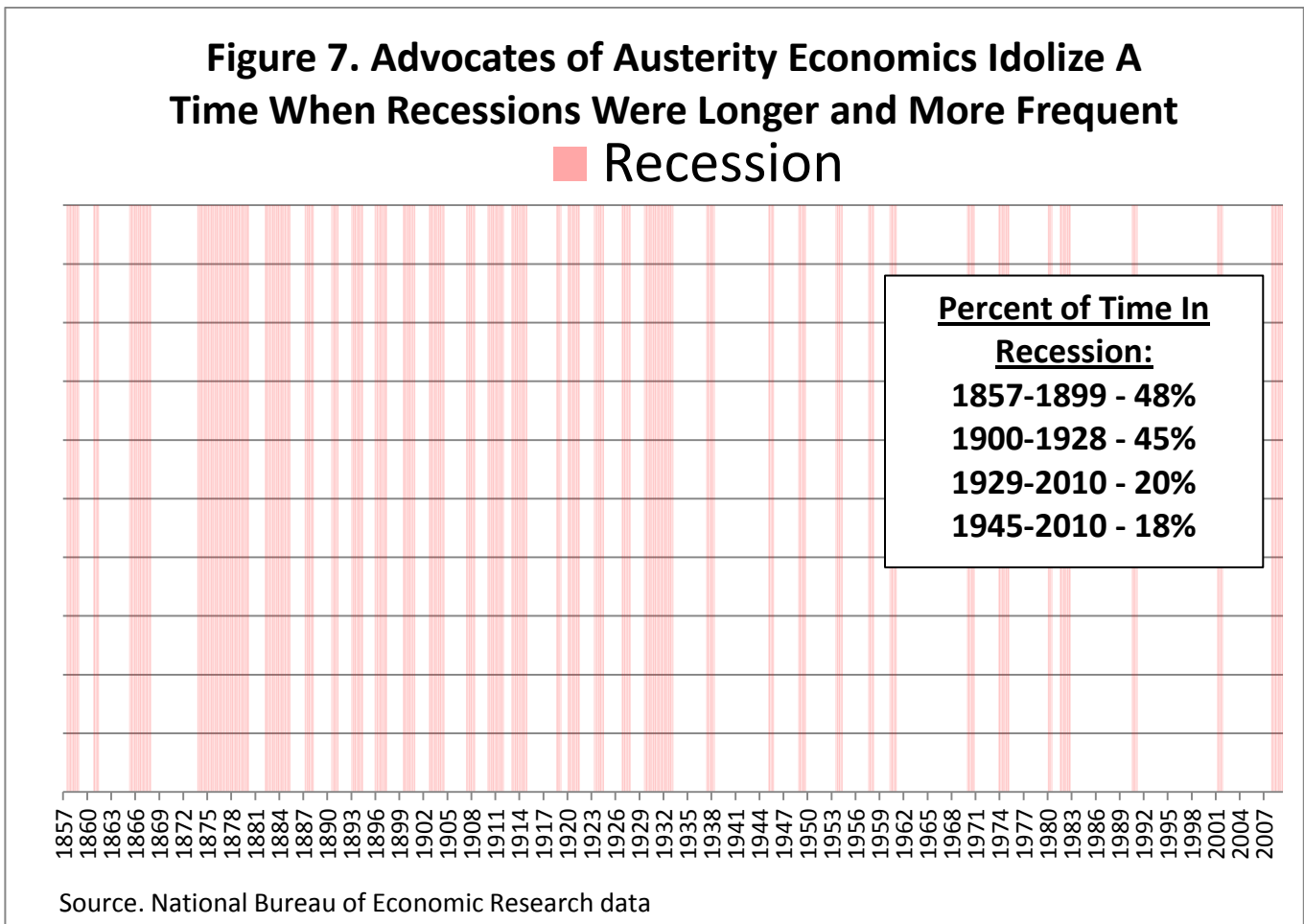
In the three quarters of a century from around 1860 to the 1930s, the United States actually ran an experiment similar to the suggestion now being made that we stop using federal government (fiscal or monetary) policy to strengthen the economic recovery.

How well did this work? As the figure below shows, not too well.

From 1857 to 1928, the U.S. economy was in recession nearly half the time. Following that, Herbert Hoover’s policies—the culmination of our grand experiment in assuming our national economy could self regulate—brought us the Great Depression.

Since 1945, with the Federal Reserve Bank and national government more actively seeking to prevent deep economic downturns, the economy has been in recession 18% of the time.

Those who do not know this history, or choose to ignore it, are threatening to doom us all to repeating it.



WE NEED A MORAL ECONOMY THAT WORKS FOR ALL

This report demonstrates that, in each of the last two years, over a quarter of Pennsylvanians and nearly a third of Americans experienced joblessness or could not find as much paid work as they want. This report and our mid-summer [report](#) published with Demos also document other economic struggles of the Pennsylvania middle class: income and wage stagnation, an erosion of health and pension benefits,

rising college costs that leave students with increasing debt but declining returns to a college degree, a young generation of workers likely to fall below their parents on the economic ladder.

From the perspective of typical Pennsylvania families, our economic system is broken.

Not surprisingly, Pennsylvania and U.S. families are not happy with the current state of economic affairs, and elected officials have low favorability ratings.

To the extent that it has been politically mobilized, however, popular anger has so far driven an agenda narrowly focused on immediate spending cuts. Such austerity economics at a time when businesses and consumers are not willing or able to drive the economy will make the economy worse. It will mean higher unemployment and a larger jobs deficit. A weaker labor market also means more downward pressure on wages and benefits.

Growing evidence indicates that Americans are not as fixated on spending as their elected officials. For example, in response to a recent *New York Times/CBS News* poll which asked "What do you think is the most important problem facing this country today?" 53% of respondents said "economy/jobs"; 7% said "budget deficit/national debt (<http://www.pollingreport.com/prioriti.htm>).

In sum, an appetite exists for an alternative approach that would focus directly on job creation and also strengthen the economy for the long term. Specific ideas that should be part of this alternative approach include:

- Continuing in 2012 the federal extended unemployment benefits set to expire in December 2011. Without an extension, as we saw in the previous section, all of Pennsylvania will experience a decline in personal income and some rural counties with high unemployment will be particularly hard hit.
- Additional federal aid for state and local government, so that public-sector layoffs don't undercut a rebound in private employment;
- Investing in infrastructure and school construction: as we have pointed out since 2008 (in advocating a "buy low" Pennsylvania school construction initiative), construction projects that take place when the market is soft save as much as 20% because bid prices come in lower. Additional infrastructure and school construction in the next two years thus deliver a triple benefit: they create jobs, they provide a foundation for long-term competitiveness, and they would be good value for money.
- Modernizing our social safety net for jobless workers in a way that also strengthens our skills and the economy: the current U.S. system of unemployment benefits still looks basically like it did in the 1930s, paying people a portion of their lost wages with the (implicit) expectation that they don't need re-skilling because they are going to their old job. In fact, they are not going back to their old job in most cases. We need an adjustment system that combines income maintenance with expanded opportunities for workers to gain new skills in decent paying careers projected to expand over the next few years. This shift partly requires making training generally available to jobless workers not just available to a few trade-displaced workers. But it also requires some other components:

- stronger and more widespread industry training consortia (“Industry Partnerships”) that provide real-time intelligence on skill needs from businesses—knowledge that can be used for jobless, incumbent (currently employed), and low-income workers alike;
- incentives for expanding work sharing, which Dean Baker has shown has been critical to keeping unemployment low in Germany;
- when unemployment gets above certain thresholds, the flexibility to combine training with job-creation incentives for businesses; and
- when unemployment gets higher still, the ability to invest in direct public job creation.

The federal government should seed fund innovative efforts by states to modernize in these ways, not prescribing solutions but establishing criteria and then allowing states to be laboratories of democracy. For our money, this flexible approach would be a more effective use of funds now being considered for an extension of payroll tax holidays.¹⁰

- Raising the minimum wage (http://www.epi.org/analysis_and_opinion/entry/increasing_the_minimum_wage_is_smart_for_families_and_the_economy/) as just one step in the long-overdue effort to push up wages for the middle-class and to repair the broken link between wages and productivity growth. Although often forgotten, the first federal minimum wage was established in 1938. Our experience in the following three decades demonstrated that a rising minimum wage could actually help the economy by creating purchasing power and discouraging companies from competing using “low-wage” strategies that don’t raise productivity. The minimum wage rose steadily in inflation-adjusted terms from 1938 to 1968, a period distinguished by very low unemployment rates and very high productivity growth.
- Catalyzing much larger-scale energy-efficiency retrofits, using small amounts of federal funds to mobilize much larger amounts of private capital that could be attracted to a new market with predictable returns (because of the short and moderate payback periods of many energy efficiency upgrades).

Beyond these and other specific ideas, what is needed is a more integrated alternative to the “cut spending,” shrink-government mantras. In the aftermath of the Arab spring, we think that, given an opportunity, Americans would gladly join their own popular movement—a movement to fix the economy and make it respect cherished American values such as the belief in widespread opportunity and a fair reward for hard work.

What is needed to trigger such a movement is an idea with the simplicity and power of “Democracy” that could galvanize people behind the idea that there is another way to run our economy, one that lifts people up rather than grinds them down.

We offer as one candidate the idea of a “moral economy”—an economy that that would be competitive and dynamic but that would also honor rather than undercut American values. The key organizing principles behind this idea include:

- *America and Pennsylvania need to update policies and institutions to fit the current economy.* The “market” is always embedded in particular places at particular times and whether and how it

¹⁰ Others have proposed as an alternative to extending payroll tax cuts a targeted, partially refundable tax credit for working families: <http://www.epi.org/publications/entry/7366/>

works is shaped by that context. In any particular context, a pragmatic mix of private sector, government, regulations, and public-private partnerships are needed to achieve decent economic and social outcomes. Since the economy and society change over time, the mix of private sector and government, the type of regulations, and the nature of the public-private partnership need to adapt as well. In the United States and Pennsylvania since the 1980s (and even since the 1930s), we have failed to update our policies and institutions (as in the unemployment insurance example above). Rather, we have allowed old institutions and regulations to atrophy. The result has been sub-par economic performance and very sub-par outcomes for the middle class.

- *The key to economic growth is dynamic efficiency. This requires paving the “high road”* (enabling businesses to compete by increasing productivity, innovation, and quality) and *blocking the “low road”* (making it harder for businesses to compete in ways that don’t raise living standards but do worsen poverty and inequality). This “old” idea of “institutional economics” has in recent decades been validated by the “new growth theory” of conventional economists which “proves” the fairly obvious point that what matters to living standards is technological change and productivity growth.
- *Updating our policies and institutions should improve the pre-tax distribution of income and wages*, reducing the need to expand government social programs to cushion people from low-income jobs.

The nature of the changes we are talking about is that they can only be fully worked out in the course of implementing them. But these ideas are solidly grounded in research and in the positive experiences of the many American businesses that develop and utilize all their workers’ talents and provide great jobs. All we need to do is create a set of rules and support structures to help these types of business grow and multiply.

At the moment our country is in the grip of a politics of fear. We don’t need to be. We can create a future with a sense of possibility and opportunity for all. (Box 1 provides additional detail on the concept of a moral economy.)

Our Vision—A Dynamic and Moral Economy that Works for All

We hold an optimistic conviction, grounded in solid research, that America could achieve a “dynamic and moral economy” that is successful economically and compatible with our nation’s values:

- Restoring the American Dream of widespread mobility, so that all Americans have the opportunity to succeed;
- Providing a fair reward for hard work so that all working families benefit from an expanding economic pie;
- Reestablishing education as the engine of social mobility not social stratification, and as the foundation of human development, civic participation, and a vibrant economy;
- Revitalizing our democracy based on one-person one-vote not one-dollar, one-vote;
- Strengthening our communities and our families; and
- Ensuring that we preserve the planet and pass on to future generations a natural endowment healthier than we inherited.

Our conviction is based on two critical facts. First, over the past 30 years, people in America and across

the globe have developed technologies—soft “organizational” ones as well as hard technologies—that increase the productivity and quality with which virtually every imaginable good or service can be produced. The most visible are the internet, lap-top computers as powerful as 1960s super-computers, and electronic products that capitalize on the merger of computing and telecommunications. But we also have cars that don’t break down, the ability to prevent diabetes in those susceptible, nursing homes that are places to live not places to die, schools that succeed in low-income communities; and airlines that reload planes quickly to reduce their capital costs while using humor to make flying more enjoyable.

Second, in virtually every industry, companies that combine people and hard technology to achieve unprecedented performance coexist with companies that use antiquated production techniques, pay and manage poorly, and despoil our environment.

With a modest amount of social innovation, America could help the most-productive organizations perform even better, enable other organizations to emulate their most successful peers, and make it harder for organizations to compete at the expense of their workers or their planet. The country could move in this direction in part through greater investment in the public goods on which all businesses depend, such as basic research, education, transportation, and broadband. It could also do this through greater investment in public goods more specific to individual industry clusters—such as Pennsylvania’s Industry (training) Partnership or through industry “centers of excellence” that help companies innovate, diffuse new process technologies, develop their supply chains, or explore new markets. America also needs social innovation to help individuals negotiate an economy more volatile than in the 1950s—for example, to enjoy employment, health, and retirement security across companies as it is less available through a “one-company career.” We need innovation in labor and environmental standards and how we enforce them. Updated standards and unions adapted to the new economy can help spread innovative competitive strategies and achieve the less polarized wage and income distribution needed to sustain robust productivity growth for the long term.

None of the social innovation we need is rocket science. Yet America for 30 years has chosen to reject policy and institutional innovation that seeks to shape our economy towards more constructive and less destructive competition. Eliminating or weakening old regulations has been the order of the day, not thinking creatively about how to modernize old or create new institutions that mesh with today’s economy.

The pragmatic ideas above are aligned with the views and values of a wide majority of the American public—who “get” the big-picture, common-sense idea that the economic world has changed and that we need to bring policies up to date with those changes so that our economy is competitive and also supports rather than undermines our values.

To sum up, a moral economy approach:

- Is not just about redistribution: a moral economy would be more productive as well as more humane.
- Promotes dynamic efficiency—productivity growth and innovation—which matter much more to long-run living standards than cutting costs (e.g., lowering wages, lowering taxes) and “allocative efficiency” (maximizing allocative efficiency is the focus of most standard economics—but only because dynamic efficiency is too complicated for most economic models).
- Recognizes that sensible regulations need not be in tension with economic goals—smart environmental and labor standards can make our economy more efficient and competitive.
- Is not anti-business or anti-corporate—a moral and dynamic economy is not possible without innovative companies and enlightened business leaders.

- Builds on the fact that most innovation comes from within industry not just from smart people in universities whose ideas then are “transferred” to the economy. But even within industries, innovation requires investment—without smart investments in the dynamism of critical industries, Pennsylvania and U.S. companies are at a vast disadvantage in the global network economy.
- Innovation and rising productivity and quality feed on contributions from employees at every level—not just from CEOs or “entrepreneurs” or financial managers that make investment decisions.
- There’s no particular legitimacy to the current wage and income distribution: this distribution does not approximate each worker’s contribution to the firm (which is impossible to measure) but policy decisions and bargaining (increasingly individual) that have driven U.S. income to a tiny slice at the top. Policy need not be deferential to the wage and income distribution that results from current market, institutional, and policy conditions, but rather seek to rebalance wage and income distribution to achieve high long-run economic performance and a level of equity consistent with American values.

Appendix A

Table A1.

CEO Pay in Pennsylvania

Company	City	CEO Name	Year	Compensation (\$)
COMCAST CORP (CMCSA)	PHILADELPHIA	Brian L. Roberts	2010	31,058,959
MYLAN INC (MYL)	CANONSBURG	Robert J. Coury	2010	22,935,936
CONSOL ENERGY INC (CNX)	PITTSBURGH	J. Brett Harvey	2010	20,157,821
HEINZ (H J) CO (HNZ)	PITTSBURGH	William R. Johnson	2010	19,006,263
ALLEGHENY TECHNOLOGIES INC (ATI)	PITTSBURGH	L. Patrick Hassey	2010	18,177,410
AMERICAN EAGLE OUTFITTERS INC (AEO)	PITTSBURGH	James V. O'Donnell	2009	17,946,755
AIR PRODUCTS & CHEMICALS INC (APD)	ALLENTOWN	John E. McGlade	2010	16,918,012
CIGNA CORP (CI)	PHILADELPHIA	David M. Cordani	2010	15,225,584
VISHAY INTERTECHNOLOGY INC (VSH)	MALVERN	Gerald Paul Dr.	2010	14,044,058
CROWN HOLDINGS INC (CCK)	PHILADELPHIA	John W. Conway	2010	13,702,097
ALCOA INC (AA)	PITTSBURGH	Klaus Kleinfeld	2010	13,292,362
ALLEGHENY ENERGY INC (AYE)	GREENSBURG	Paul J. Evanson	2009	12,589,731
PPG INDUSTRIES INC (PPG)	PITTSBURGH	C. E. Bunch	2010	12,386,000
PPL CORP (PPL)	ALLENTOWN	James H. Miller	2010	12,271,508
UNITED STATES STEEL CORP (X)	PITTSBURGH	J. P. Surma	2010	12,178,894
SUNOCO INC (SUN)	PHILADELPHIA	L. L. Elsenhans	2010	11,713,702
HERSHEY CO (HSY)	HERSHEY	David J. West	2010	10,487,816
UNIVERSAL HEALTH SERVICES INC (UHS)	KING OF PRUSSIA	Alan B. Miller	2010	9,850,965
FMC CORP (FMC)	PHILADELPHIA	Pierre Brondeau	2010	9,762,101
ARMSTRONG WORLD INDUSTRIES (AWI)	LANCASTER	Michael D. Lockhart	2009	9,138,308
AMETEK INC (AME)	BERWYN	Frank S. Hermance	2010	7,807,317
DICKS SPORTING GOODS INC (DKS)	CORAOPOLIS	Edward W. Stack	2010	7,531,208
AMERISOURCEBERGEN CORP (ABC)	CHESTERBROOK	R. David Yost	2010	7,428,824
LINCOLN NATIONAL CORP (LNC)	RADNOR	Dennis R. Glass	2010	7,380,412
UGI CORP (UGI)	KING OF PRUSSIA	Lon R. Greenberg	2010	7,191,603
EQT CORP (EQT)	PITTSBURGH	David L. Porges	2010	6,282,697
PENN NATIONAL GAMING INC (PENN)	WYOMISSING	Peter M. Carlino	2009	6,244,918
UNISYS CORP (UIS)	BLUE BELL	J. Edward Coleman	2010	5,732,458
KENNAMETAL INC (KMT)	LATROBE	Carlos M. Cardoso	2010	5,720,895
ENDO PHARMACEUTICALS HLDGS (ENDP)	CHADDS FORD	David P. Holveck	2009	5,684,367
DOLLAR FINANCIAL CORP (DLLR)	BERWYN	Jeffrey A. Weiss	2010	5,477,110
GLATFELTER P H CO (GLT)	YORK	George H. Glatfelter II	2010	5,457,328
GARDNER DENVER INC (GDI)	WAYNE	Barry L. Pennypacker	2010	5,449,526
NUTRISYSTEM INC (NTRI)	FORT WASHINGTON	Joseph M. Redling	2010	5,264,513
CHARMING SHOPPES INC (CHRS)	BENSALEM	James P. Fogarty	2009	5,212,682
ENERSYS INC (ENS)	READING	John D. Craig	2010	5,202,327
WABTEC CORP (WAB)	WILMERDING	Albert J. Neupaver	2010	5,020,132
WEST PHARMACEUTICAL SVSC INC (WST)	LIONVILLE	Donald E. Morel Jr.	2010	4,945,985
TELEFLEX INC (TFX)	LIMERICK	Jeffrey P. Black	2010	4,822,044
CEPHALON INC (CEPH)	FRAZER	J. Kevin Buchi	2010	4,813,219
BLACK BOX CORP (BBOX)	LAWRENCE	R. Terry Blakemore	2010	4,628,345
ATLAS ENERGY INC (ATLS)	MOONTOWNSHIP	Edward E. Cohen	2009	4,377,681
WESCO INTL INC (WCC)	PITTSBURGH	John J. Engel	2010	4,315,526
PENN VIRGINIA CORP (PVA)	RADNOR	A. James Dearlove	2010	4,039,592
ANSYS INC (ANSS)	CANONSBURG	James E. Cashman III	2010	3,894,056

continued on next page.

Table A1 (cont).

CEO Pay in Pennsylvania

Company	City	CEO Name	Year	Compensation (\$)
EDUCATION MANAGEMENT CORP (EDMC)	PITTSBURGH	Todd S. Nelson	2010	3,804,121
FEDERATED INVESTORS INC (FII)	PITTSBURGH	J. Christopher Donahue	2010	3,601,887
AQUA AMERICA INC (WTR)	BRYN MAWR	Nicholas DeBenedictis	2010	3,525,117
BRANDYWINE REALTY TRUST (BDN)	RADNOR	Gerard H. Sweeney	2010	3,501,983
MATTHEWS INTL CORP (MATW)	PITTSBURGH	Joseph C. Bartolacci	2010	3,451,579
AIRGAS INC (ARG)	RADNOR	Peter McCausland	2010	3,364,953
RADIAN GROUP INC (RDN)	PHILADELPHIA	Sanford A. Ibrahim	2010	3,262,404
RITE AID CORP (RAD)	CAMP HILL OWN	Mary F. Sammons	2010	3,203,815
IGATE CORP (IGTE)	PITTSBURGH	Phaneesh Murthy	2010	3,137,304
MINE SAFETY APPLIANCES CO (MSA)	PITTSBURGH	William M. Lambert	2010	3,051,005
PEP BOYS MANNY MOE & JACK (PBY)	PHILADELPHIA	Michael R. Odell	2009	3,007,923
HARLEYSVILLE GROUP INC (HGIC)	HARLEYSVILLE	Michael L. Browne	2010	2,985,884
WEIS MARKETS INC (WMK)	SUNBURY	David J. Hepfinger	2010	2,954,081
CARDIONET INC (BEAT)	CONSHOHOCKEN	Joseph H. Capper	2010	2,904,953
AUXILIUM PHARMACEUTICALS INC (AUXL)	MALVERN	Armando Anido	2009	2,854,826
RTI INTL METALS INC (RTI)	PITTSBURGH	Dawne S. Hickton	2010	2,736,205
HERSHA HOSPITALITY TRUST (HT)	HARRISBURG	Jay H. Shah	2010	2,671,689
GRAHAM PACKAGING CO INC (GRM)	YORK	Mark S. Burgess	2009	2,648,131
LIBERTY PROPERTY TRUST (LRY)	MALVERN	William P. Hankowsky	2009	2,628,082
INTERNET CAPITAL GROUP INC (ICGE)	WAYNE	Walter W. Buckley III	2010	2,587,025
KOPPERS HOLDINGS INC (KOP)	PITTSBURGH	Walter W. Turner	2010	2,573,080
REX ENERGY CORP (REXX)	STATE COLLEGE	Daniel J. Churay	2010	2,565,761
DENTSPLY INTERNATL INC (XRAY)	YORK	Bret W. Wise	2010	2,557,252
TOLL BROTHERS INC (TOL)	HORSHAM	Douglas C. Yearley Jr.	2010	2,548,171
URBAN OUTFITTERS INC (URBN)	PHILADELPHIA	Glen T. Senk	2011	2,513,118
F N B CORP (FNB)	HERMITAGE	Stephen J. Gurgovits	2010	2,452,341
QUAKER CHEMICAL CORP (KWR)	CONSHOHOCKEN	Michael F. Barry	2010	2,451,550
TRIUMPH GROUP INC (TGI)	WAYNE	Richard C. III	2010	2,429,967
VIOPHARMA INC (VPHM)	EXTON	Vincent J. Milano	2010	2,403,555
GSI COMMERCE INC (GSIC)	KING OF PRUSSIA	Michael G. Rubin	2009	2,354,603
CHECKPOINT SYSTEMS INC (CKP)	PHILADELPHIA	Robert P. van der Merwe	2010	2,232,595
DESTINATION MATERNITY CORP (DEST)	PHILADELPHIA	Edward M. Krell	2010	2,228,130
ERESEARCHTECHNOLOGY INC (ERT)	PHILADELPHIA	Joel Morganroth MD	2010	2,206,435
II-VI INC (IIVI)	SAXONBURG	Francis J. Kramer	2010	2,179,926
CARPENTER TECHNOLOGY CORP (CRS)	WYOMISSING	Gregory A. Pratt	2010	2,111,555
ERIE INDEMNITY CO (ERIE)	ERIE	Terrence W. Cavanaugh	2010	2,067,297
RESOURCE AMERICA INC (REXI)	PHILADELPHIA	Jonathan Z. Cohen	2010	2,037,842
SAFEGUARD SCIENTIFICS INC (SFE)	WAYNE	Peter J. Boni	2010	2,037,574
PENNSYLVANIA RE INVS TRUST (PEI)	PHILADELPHIA	Ronald Rubin	2009	1,881,527
BANCORP INC (TBBK)	PHILADELPHIA	Betsy Z. Cohen	2010	1,877,018
AMPCO-PITTSBURGH CORP (AP)	PITTSBURGH	Robert A. Paul	2010	1,807,344
KENEXA CORP (KNXA)	WAYNE	Nooruddin (Rudy) S. Karsan	2010	1,769,634
KNOLL INC (KNL)	EAST GREENVILLE	Andrew B. Cogan	2010	1,734,566
INTERDIGITAL INC (IDCC)	KING OF PRUSSIA	William J. Merritt	2010	1,610,260
FOSTER (LB) CO (FSTR)	PITTSBURGH	Stan L. Hasselbusch	2010	1,606,603

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Table A1 (cont).

CEO Pay in Pennsylvania				
Company	City	CEO Name	Year	Compensation (\$)
PMA CAPITAL CORP (PMACA)	BLUE BELL	Vincent T. Donnelly	2009	1,562,025
DORMAN PRODUCTS INC (DORM)	COLMAR	Richard N. Berman	2010	1,538,145
FULTON FINANCIAL CORP (FULT)	LANCASTER	R. Scott Smith Jr.	2010	1,512,993
HORSEHEAD HOLDING CORP (ZINC)	PITTSBURGH	James M. Hensler	2010	1,500,603
ABINGTON BANCORP INC (ABBC)	JENKINTOWN	William J. Reuter	2010	1,479,760
PULSE ELECTRONICS CORP (PULS)	TREVOSE	Drew A. Moyer	2010	1,442,008
CALGON CARBON CORP (CCC)	PITTSBURGH	John S. Stanik	2010	1,429,850
HARSCO CORP (HSC)	CAMP HILL	S. D. Fazzolari	2010	1,417,257
ORASURE TECHNOLOGIES INC (OSUR)	BETHLEHEM	Douglas A. Michels	2010	1,364,974
LANNETT CO INC (LCI)	PHILADELPHIA	Arthur P. Bedrosian	2010	1,356,301
SEI INVESTMENTS CO (SEIC)	OAKS	Alfred P. West Jr.	2010	1,349,708
HEMISPHERX BIOPHARMA INC (HEB)	PHILADELPHIA	William A. Carter	2009	1,301,384
CDI CORP (CDI)	PHILADELPHIA	Roger H. Ballou	2010	1,276,812
NATIONAL PENN BANCSHARES INC (NPBC)	BOYERTOWN	Scott V. Fainor	2010	1,262,188
RAIT FINANCIAL TRUST (RAS)	PHILADELPHIA	Scott F. Schaeffer	2010	1,227,700
SUSQUEHANNA BANCSHARES INC (SUSQ)	LITITZ	William J. Reuter	2009	1,211,729
HEALTHCARE SERVICES GROUP (HCSG)	HUNTINGDON VALLEY	Daniel P. McCartney	2010	1,209,891
OMEGA FLEX INC (OFLX)	EXTON	Kevin R. Hoben	2009	1,209,431
KENSEY NASH CORP (KNSY)	EXTON	Joseph W. Kaufmann	2010	1,188,459
UNIVEST CORP OF PENNSYLVANIA (UVSP)	SOUDERTON	William S. Aichele	2010	1,121,047
BAKER (MICHAEL) CORP (BKR)	MOON TOWNSHIP	Bradley L. Mallory	2010	1,098,990
ESB FINANCIAL CORP (ESBF)	ELLWOOD CITY	Charlotte A. Zuschlag	2010	1,097,055
CSS INDUSTRIES INC (CSS)	PHILADELPHIA	Christopher J. Munyan	2010	1,012,394
SPECTRUM CONTROL INC (SPEC)	FAIRVIEW	Richard A. Southworth	2010	957,972
EASTERN INSURANCE HLDGS INC (EIH)	LANCASTER	Michael L. Boguski	2010	935,550
NORTHWEST BANCSHARES INC (NWBI)	WARREN	William J. Wagner	2010	920,129
ORRSTOWN FINANCIAL SVCS INC (ORRF)	SHIPPENSBURG	Thomas R. Quinn Jr.	2010	913,968
ADOLOR CORP (ADLR)	EXTON	Michael R. Dougherty	2010	909,124
SELECT MEDICAL HOLDINGS CORP (SEM)	MECHANICSBURG	Robert A. Ortenzio	2010	887,807
BMP SUNSTONE CORP (BJGP)	PLYMOUTH MEETING	David Gao	2009	881,245
ORTHOVITA INC (VITA)	MALVERN	Antony Koblish	2009	860,216
DONEGAL GROUP INC (DGICA)	MARIETTA	Donald H. Nikolaus	2010	840,772
MET-PRO CORP (MPR)	HARLEYSVILLE	Raymond J. De Hont	2011	831,027
BRYN MAWR BANK CORP (BMTC)	BRYN MAWR	Frederick C. Peters II	2010	813,492
S & T BANCORP INC (STBA)	INDIANA	Todd D. Brice	2010	809,379
METRO BANCORP INC (METR)	HARRISBURG	Gary L. Nalbandian	2010	773,563
TOWER BANCORP INC (TOBC)	HARRISBURG	Andrew Samuel	2010	748,892
BENEFICIAL MUTUAL BANCORP (BNCL)	PHILADELPHIA	Gerard P. Cuddy	2010	744,482
CITIZENS & NORTHERN CORP (CZNC)	WELLSBORO	Charles H. Updegraff Jr.	2010	709,571
HERLEY INDUSTRIES INC (HRLY)	LANCASTER	Richard F. Poirier	2010	708,102
NOBEL LEARNING CMNTYS INC (NLCI)	WEST CHESTER	George H. Bernstein	2010	577,403
CNB FINANCIAL CORP (CCNE)	CLEARFIELD	Joseph B. Bower Jr.	2010	545,621
REPUBLIC FIRST BANCORP INC (FRBK)	PHILADELPHIA	Harry D. Madonna	2010	524,902
SUPERIOR WELL SERVICES INC (SWSI)	INDIANA	David E. Wallace	2009	515,340

continued on next page.

Table A1 (cont).

CEO Pay in Pennsylvania

Company	City	CEO Name	Year	Compensation (\$)
FIRST COMMONWLTH FINL CP (FCF)	INDIANA	John J. Dolan	2010	476,758
YORK WATER CO (YORW)	YORK	Jeffrey R. Hines P.E.	2010	451,240
UNVL STAINLESS & ALLOY PRODS (USAP)	BRIDGEVILLE	Dennis M. Oates	2009	438,829
ESSA BANCORP INC (ESSA)	STROUDSBURG	Gary S. Olson	2010	417,843
FOX CHASE BANCORP INC (FXCB)	HATBORO	Thomas M. Petro	2009	394,562
PRUDENTIAL BANCORP INC (PBIP)	PHILADELPHIA	Thomas A. Vento	2010	390,951
PORTEC RAIL PRODUCTS INC (PRPX)	PITTSBURGH	Richard J. Jarosinski	2009	315,000
NORWOOD FINANCIAL CORP (NWFL)	HONESDALE	Lewis J. Critelli	2010	309,766
DISCOVERY LABORATORIES INC (DSCO)	WARRINGTON	W. Thomas Amick	2009	201,016
UNIVERSAL HEALTH RLTY INCOME (UHT)	KING OF PRUSSIA	Alan B. Miller	2010	86,074
PENNS WOODS BANCORP INC (PWOD)	JERSEY SHORE	Richard A. Grafmyre	2010	38,925
Average				4,199,931

Note. This spreadsheet shows the pay for Pennsylvania-based CEOs within the "Russell 3,000," the largest 3000 public companies in the United States, which represent approximately 98% of the investable U.S. equity market.

Source. Salary.com data online at <http://goo.gl/Xhyl6>

Appendix B

Table B1.

Transfers as a Share of Personal Income and Unemployment by County in Pennsylvania

County	Transfers as a share personal income			Unemployment rate			
	2007	2009	Change (percentage points)	December 2007	December 2009	Change (percentage points)	June 2011
Adams	16%	22%	5.5%	4.0%	8.2%	4.2%	6.6%
Allegheny	17%	19%	2.4%	4.5%	7.4%	2.9%	7.0%
Armstrong	24%	28%	4.3%	5.3%	9.8%	4.5%	8.2%
Beaver	24%	27%	2.9%	5.0%	8.4%	3.4%	7.5%
Bedford	24%	29%	5.1%	5.8%	11.7%	5.9%	9.9%
Berks	17%	21%	3.8%	4.7%	9.4%	4.7%	8.0%
Blair	25%	28%	3.7%	4.5%	7.8%	3.3%	6.9%
Bradford	23%	26%	3.4%	4.8%	7.8%	3.0%	5.9%
Bucks	11%	14%	2.7%	4.2%	7.7%	3.5%	7.3%
Butler	16%	19%	2.8%	4.3%	7.4%	3.1%	6.9%
Cambria	28%	31%	3.0%	5.7%	9.3%	3.6%	8.6%
Cameron	28%	37%	9.9%	5.9%	17.5%	11.6%	11.2%
Carbon	23%	28%	4.2%	5.6%	11.2%	5.6%	10.0%
Centre	14%	16%	2.5%	3.8%	6.3%	2.5%	5.7%
Chester	8%	9%	0.5%	3.5%	6.7%	3.2%	6.3%
Clarion	26%	30%	4.4%	5.4%	9.6%	4.2%	9.6%
Clearfield	27%	31%	4.6%	6.1%	10.4%	4.3%	8.8%
Clinton	24%	28%	3.4%	5.4%	9.7%	4.3%	7.9%
Columbia	22%	27%	5.1%	5.5%	9.2%	3.7%	7.7%
Crawford	26%	30%	4.8%	5.2%	10.5%	5.3%	7.8%
Cumberland	13%	16%	2.9%	3.6%	7.2%	3.6%	6.7%
Dauphin	16%	19%	3.2%	4.2%	8.1%	3.9%	7.6%
Delaware	14%	16%	2.1%	4.4%	8.5%	4.1%	8.0%
Elk	23%	30%	7.2%	5.2%	11.6%	6.4%	7.3%
Erie	22%	26%	4.6%	5.2%	9.9%	4.7%	8.2%
Fayette	30%	34%	3.9%	6.1%	9.9%	3.8%	9.0%
Forest	38%	39%	1.6%	6.5%	12.2%	5.7%	9.3%
Franklin	17%	21%	4.0%	3.9%	8.8%	4.9%	6.9%
Fulton	20%	27%	7.6%	6.9%	12.8%	5.9%	10.4%
Greene	28%	30%	1.4%	5.7%	7.8%	2.1%	7.0%
Huntingdon	24%	30%	6.1%	5.9%	11.1%	5.2%	9.7%
Indiana	22%	25%	3.3%	5.0%	8.2%	3.2%	7.4%
Jefferson	26%	31%	4.9%	5.1%	10.2%	5.1%	8.3%
Juniata	20%	25%	4.7%	4.7%	8.2%	3.5%	6.9%
Lackawanna	22%	25%	3.1%	5.1%	9.0%	3.9%	9.1%
Lancaster	15%	19%	3.7%	3.7%	7.8%	4.1%	6.7%

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Table B1 (cont)

Transfers as a Share of Personal Income and Unemployment by County in Pennsylvania

County	Transfers as a share personal income			Unemployment rate			
	2007	2009	Change (percentage points)	December 2007	December 2009	Change (percentage points)	June 2011
Lawrence	27%	31%	4.4%	5.7%	9.7%	4.0%	8.6%
Lebanon	17%	20%	3.2%	3.8%	7.1%	3.3%	6.4%
Lehigh	17%	20%	3.3%	4.9%	9.5%	4.6%	8.7%
Luzerne	23%	26%	3.5%	5.5%	9.9%	4.4%	9.2%
Lycoming	22%	25%	3.6%	5.2%	9.5%	4.3%	7.8%
McKean	25%	29%	4.1%	5.1%	10.8%	5.7%	8.6%
Mercer	26%	30%	4.6%	5.9%	11.8%	5.9%	8.6%
Mifflin	26%	32%	5.3%	5.8%	10.3%	4.5%	8.3%
Monroe	17%	20%	3.6%	5.2%	9.8%	4.6%	9.4%
Montgomery	9%	11%	2.1%	3.8%	7.3%	3.5%	6.8%
Montour	19%	21%	2.0%	4.1%	6.5%	2.4%	6.4%
Northampton	17%	20%	3.1%	4.8%	9.2%	4.4%	8.5%
Northumberland	24%	28%	3.7%	5.3%	10.3%	5.0%	8.8%
Perry	17%	21%	3.6%	4.4%	8.7%	4.3%	7.7%
Philadelphia	26%	28%	2.3%	6.4%	10.7%	4.3%	10.5%
Pike	17%	19%	2.6%	5.8%	9.9%	4.1%	10.5%
Potter	25%	29%	4.5%	6.8%	11.6%	4.8%	9.2%
Schuylkill	25%	29%	4.0%	5.5%	10.7%	5.2%	9.3%
Snyder	26%	30%	4.6%	5.2%	9.3%	4.1%	8.1%
Somerset	26%	29%	3.2%	5.8%	9.6%	3.8%	8.9%
Sullivan	30%	34%	3.6%	4.9%	8.2%	3.3%	6.9%
Susquehanna	22%	24%	2.5%	4.7%	9.2%	4.5%	7.5%
Tioga	26%	31%	4.2%	5.7%	9.3%	3.6%	7.0%
Union	17%	21%	3.4%	5.4%	9.8%	4.4%	8.1%
Venango	32%	35%	2.9%	5.3%	9.4%	4.1%	7.5%
Warren	24%	28%	3.9%	4.7%	8.3%	3.6%	6.8%
Washington	20%	22%	2.7%	4.9%	8.2%	3.3%	7.3%
Wayne	23%	28%	4.9%	4.4%	7.9%	3.5%	7.4%
Westmoreland	20%	23%	2.8%	5.0%	8.4%	3.4%	7.5%
Wyoming	21%	26%	4.3%	5.6%	9.2%	3.6%	9.4%
York	15%	18%	3.5%	4.3%	8.9%	4.6%	7.7%

Note. Transfers (Personal current transfer receipts) include payments to individuals from disability insurance, programs like medicare and medicaid, food stamps and unemployment insurance. For a full description see <http://goo.gl/CMZTY>

Source. Keystone Research Center analysis of Bureau of Economic Analysis and Center for Workforce Information and Analysis data

Appendix C

Table C1.

Inflation adjusted hourly earnings by decile in Pennsylvania.						
Percentile	1995	2001	2002	2010	Percent Change	
					1995 to 2001	2002 to 2010
10th	\$7.33	\$8.44	\$8.39	\$8.26	15.1%	-1.5%
20th	\$9.07	\$10.20	\$10.13	\$10.02	12.5%	-1.1%
40th	\$10.95	\$12.10	\$12.00	\$11.99	10.5%	-0.1%
40th	\$12.83	\$13.79	\$14.13	\$14.16	7.5%	0.2%
50th (Median)	\$14.64	\$16.15	\$16.14	\$16.36	10.3%	1.4%
60th	\$17.20	\$18.75	\$18.64	\$19.03	9.0%	2.1%
70th	\$20.43	\$22.09	\$22.41	\$22.78	8.1%	1.7%
80th	\$24.37	\$26.40	\$26.76	\$27.15	8.3%	1.5%
90th	\$31.03	\$34.81	\$36.24	\$36.15	12.2%	-0.2%
95th	\$38.13	\$43.33	\$45.71	\$47.70	13.6%	4.4%

Source. KRC analysis of CPS data

Table C2.

Inflation adjusted median hourly earnings by education level in Pennsylvania.						
Percentile	1995	2001	2002	2010	Percent Change	
					1995 to 2001	2002 to 2010
Less than high school	\$11.10	\$10.39	\$10.55	\$10.20	-6.4%	-3.3%
High school	\$13.31	\$13.77	\$14.17	\$14.26	3.5%	0.6%
Some college	\$14.21	\$15.30	\$14.80	\$14.95	7.7%	1.0%
Bachelor's or higher	\$23.44	\$25.61	\$25.41	\$24.61	9.3%	-3.1%

Source. KRC analysis of CPS data