



Public-sector Job Losses Put Brakes on Pennsylvania's Recovery

By Mark Price and Stephen Herzenberg • November 10, 2011

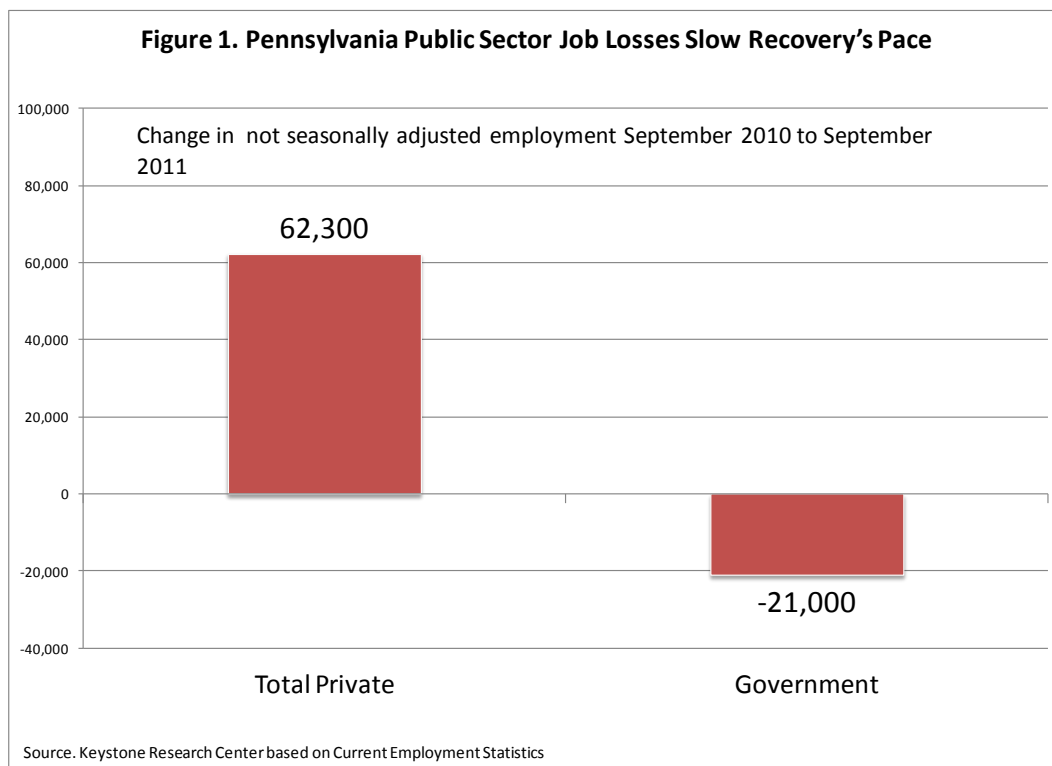
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Overview

Pennsylvania is losing its post-recession job creation growth advantage over other states as public-sector job losses put the brakes on the Commonwealth's economic recovery.

From September 2009 to September 2010, Pennsylvania outpaced most other states in job creation, ranking fourth in the number of jobs created and seventh by job growth percentage. Between April 2011 and September 2011, we shifted into reverse and are now headed in the wrong direction. A wave of public-sector job losses has driven job growth in the Commonwealth into the bottom 10: 47th measured by the change in the number of jobs and 43rd measured by job growth percentage.

Pennsylvania has lost 21,000 public-sector jobs over the last year, including some 13,000 in schools and education (Figure 1). Among the 50 states, Pennsylvania saw the sixth-largest decline in state and local jobs in the last year.



The U-turn in the state's economic performance can be seen throughout the state. In all 16 metropolitan areas, public-sector employment is now below its peak; in all but four of these areas,

the trend for the past several months has been downward. (Appendix A of this brief contains figures showing trends in public-sector employment in each metro area.)

In Pennsylvania, cuts in public-sector employment are shrinking a state and local government workforce that is already the second smallest among the 50 states compared to total employment. Pennsylvania would need to add 130,000 *more* state and local government jobs to reach 46th place measured by the share of public jobs in total employment.

These cuts are eroding essential services for children, seniors and people with disabilities, hurting local communities and hampering economic growth. Some cuts are also leading to lost federal matching dollars (e.g. funding for health care for low-income families), further hurting local economies.

Pennsylvania's economic slowdown fueled by public job cuts has slashed the amount by which the state's unemployment rate has trailed the national rate in recent years — the so-called "Pennsylvania Advantage." Pennsylvania's unemployment rate was 1.7 percentage points below the national rate in May, but by September the gap had dropped to 0.8 of a percentage point

It is time to abandon austerity economics for more effective policies that adequately fund essential services that working families rely upon and invest in the future. It's time to shift back into drive and move Pennsylvania once again into the top 10 states for job growth.

Pennsylvania's Cuts-Only Approach Kills Jobs

In February, we noted that recent job growth in Pennsylvania early in the recovery had outpaced growth in most states.¹ In July, we warned that Pennsylvania's 2011-12 General Fund budget, which cut inflation-adjusted spending by 12% from 2008-2009 levels, would lead to layoffs and slow the pace of overall job growth.²

We were able to confidently make this prediction because it is a well-established economic fact that government spending cuts tend to reduce private job creation in a high-unemployment economy. For example, economist Adam Hersh at the Center for American Progress found that in states that cut spending between 2007 and 2010, the unemployment rate climbed by a percentage point and private employment declined by an average of 2.1%.³ In contrast, states that increased spending over the same period experienced a slight decrease in unemployment and a 1.4% increase in private employment.

¹ Stephen Herzenberg, *Recent Job Growth in Pennsylvania is Healthier than in Most States*, Keystone Research Center, February 4, 2011. Available online at <http://goo.gl/D0XYi>

² Stephen Herzenberg and Mark Price, *State Spending Cuts Kill Private Sector Jobs and Raise Unemployment*, Keystone Research Center, July 19, 2011. Available online at <http://goo.gl/rmxit>

³ Adam Hersh, Center of American Progress. Analysis available online at http://www.americanprogress.org/issues/2011/06/budget_cuts.html

Pennsylvania’s 2011-12 General Fund budget made deep cuts to education and health care while leaving unspent \$620 million from a revenue surplus last year and other unused funds. Our best estimate is that the failure to spend that revenue will by itself translate into the loss of 17,714 jobs (including private jobs lost due to the ripple effects of public job cuts) over the course of the 2011-12 fiscal year.⁴

The failure to spend tax revenue collected is an extreme example of “austerity economics,” a policy perspective that focuses on cutting spending during periods of high unemployment, including on public goods such as education, health care, and public safety. Supporters of austerity economics often claim that spending cuts will translate into job growth.

With each new jobs release from the Pennsylvania Department of Labor and Industry, there is growing evidence that austerity economics in Pennsylvania is having precisely the effect on job growth that conventional economic theory and abundant empirical evidence would suggest: it is slowing rather than accelerating job growth in Pennsylvania.

In the last year, Pennsylvania lost 21,000 jobs in the public sector. Some 13,000 of those losses were education-related jobs (Table 1). Among the 50 states, Pennsylvania experienced the sixth-largest decline in state and local jobs in the last year (Figure 2).⁵ The concentration of public-sector job losses in Pennsylvania helps explain why Pennsylvania job growth recently has stalled relative to other states.

Table 1.

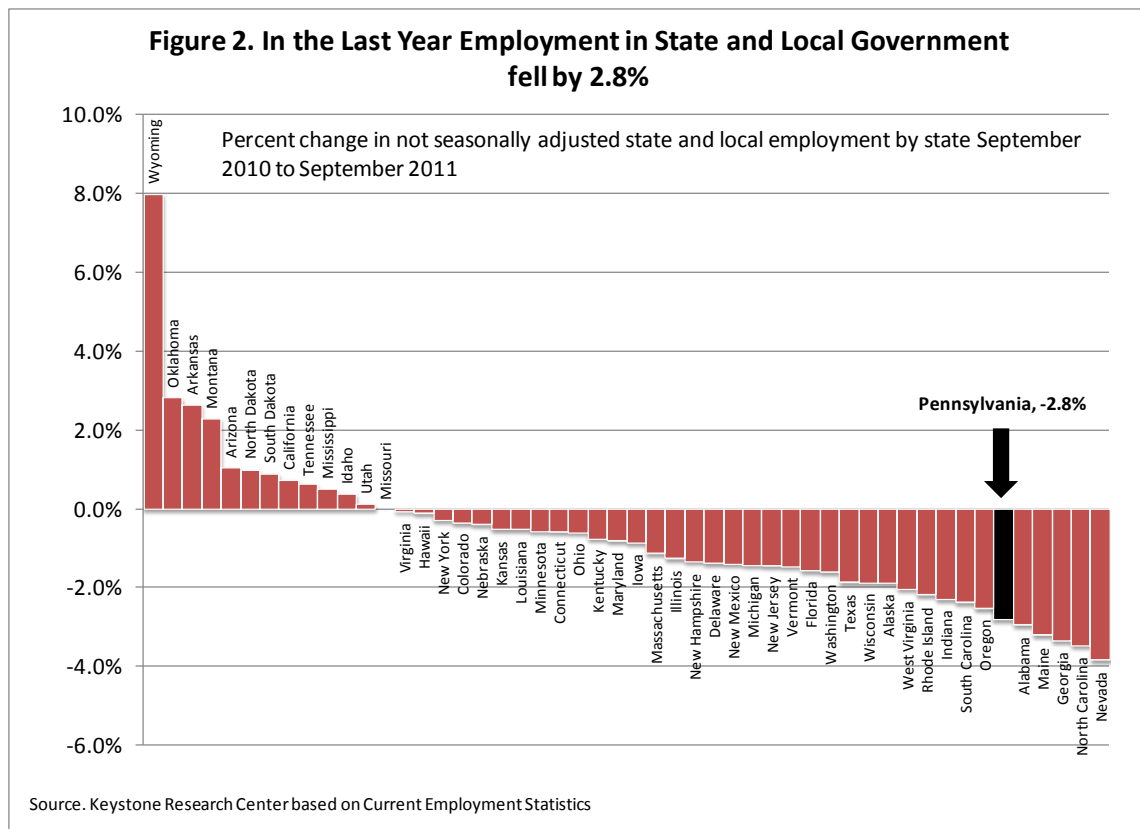
Job Growth by Sector Pennsylvania (not seasonally adjusted)				
	2010-9	2011-9	Change	Percent Change
Total Private	4,896,900	4,959,200	62,300	1.3%
Government	748,700	727,700	-21,000	-2.8%
Federal	104,700	101,700	-3,000	-2.9%
State	162,000	152,200	-9,800	-6.0%
State government educational services	60,400	55,400	-5,000	-8.3%
Local	482,000	473,800	-8,200	-1.7%
Local government educational services	294,300	286,300	-8,000	-2.7%
Local government excluding educational services	187,700	187,500	-200	-0.1%

Source. Keystone Research Center based on Current Employment Statistics data

⁴ This estimate of the number of jobs is based on a paper by Daniel Shoag, *The Impact of Government Spending Shocks: Evidence on the Multiplier from State Pension Plan Returns*; online at http://www.people.fas.harvard.edu/~shoag/papers_files/shoag_jmp.pdf. Shoag's paper uses a highly innovative statistical method to disentangle the impact of state spending from other factors that impact state job growth. This generates a more precise estimate than previously available of the total number of jobs, including supply-chains jobs and as a result of consumption multiplier effects, created per dollar of state spending.

⁵ Even before the recent round of job losses Pennsylvania had the second smallest state and local workforce in the country with 11.4% of total employment in the public sector. As of this September, Pennsylvania still has the second smallest public sector workforce in the country, with 11% of jobs in the public sector.

These cuts are felt particularly hard in Pennsylvania, where state and local government jobs are a smaller share of total jobs than in all but one other state, Rhode Island. State and local government employment in 46 states is at least 2 percentage points higher than in Pennsylvania. In other words, Pennsylvania would need to increase state and local government employment by at least 20% — roughly 130,000 jobs — to tie for 46th place measured by the share of public jobs in total employment.



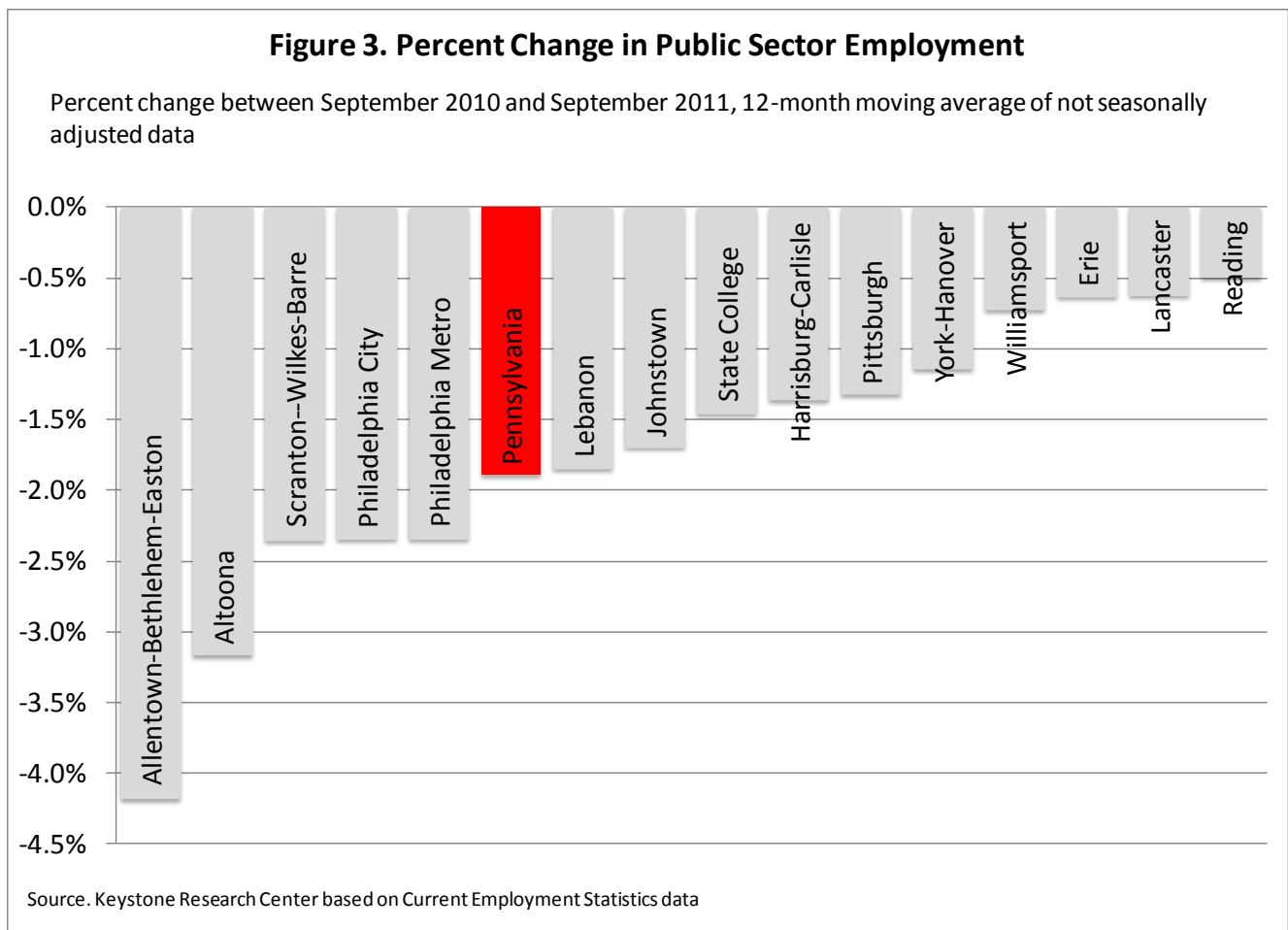
Public Job Losses Impact Every Corner of Pennsylvania

The recent decline in public-sector employment can be seen in every one of Pennsylvania’s 16 metropolitan areas for which separate data are available. To compensate for a higher level of volatility in monthly employment data at the metropolitan level, we present employment estimates in any month as a 12-month moving average. Thus, employment in September 2011 means the employment average from October 2010 to September 2011.⁶

⁶ Given that employment data is falling, this procedure understates the job loss experienced in the public sector. You can see this in the data presented in Table 2 for Pennsylvania as a whole. When comparing September 2010 (October 2009 to September 2010) to September 2011 (October 2010 to September 2011), employment in the public sector declined by 14,367 jobs. Comparing employment data from September 2010 to September 2011 (See Figure 1), Pennsylvania shed 21,000 public-sector jobs.

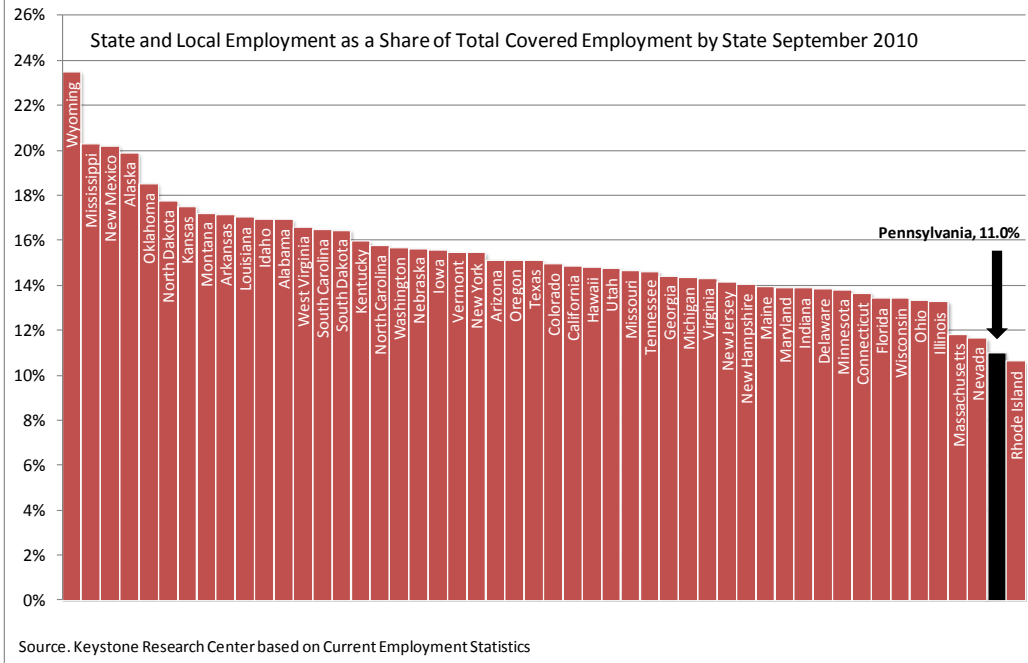
Figure 3 and Table 3 in Appendix A present employment change between the 12-month average ending in September 2011 and the 12-month average ending in September 2010. These data make clear that *in every one of Pennsylvania’s 16 metropolitan areas, public-sector job losses are being felt.*

Figures 5 through 19, in Appendix A, present graphs of the 12-month moving average of public-sector employment in each of the 16 metropolitan areas since 2007. In four of the metro areas, there has been a slight uptick in the 12-month moving average in the past few months. Nonetheless, every Pennsylvania metropolitan area shed public-sector jobs in the last year. Reflecting the concentration of public-sector jobs in the Capital Region, the Harrisburg-Carlisle and Lancaster metropolitan areas lost more jobs in the public sector than were gained in the private sector (Table 2).⁷



⁷ Comparing just September 2010 to September 2011, more jobs were lost in the public sector than were added in the private sector in Allentown-Bethlehem-Easton, Erie, Harrisburg-Carlisle, Philadelphia City and the Philadelphia Metropolitan area, and Scranton.

Figure 4. The State and Local Workforce In Pennsylvania Is One Of Smallest In the Country



Education Cuts Eliminate School Programs and Choke Off Recovery

Thanks to funding cuts for education, teachers are losing jobs, local businesses are losing customers, and students are losing educational and extra-curricular opportunities.

The Mifflin County School District is a rural, 425-square-mile district that serves 5,500 students from kindergarten to 12th grade. Last year, the district had 13 schools; now it has eight, along with 83 less employees. Extracurricular activities also lost funding, although the \$30 student fee for each activity pales in comparison with the \$250 imposed in neighboring Juniata County. Mifflin schools now require at least 15 students in any class. Advanced Placement computer science and physics courses did not make the cut.

In the 2009-10 and 2010-11 fiscal years, the Commonwealth used federal funds (American Recovery and Reinvestment Act and Education Jobs) to keep basic education funding steady. The federal recovery dollars expired this year, leaving a significant gap for education funding that Pennsylvania left largely unfilled. Pennsylvania school districts lost \$860 million in the final 2011-12 state budget, which amounts to \$410 per student. As a result, districts across the state have been shedding jobs, eliminating programs, increasing class sizes, and raising property taxes.

Source: Interview with Mifflin County School District Superintendent Jim Estep by Sean Brandon.

Spending Cuts in State Health Programs Hurt Families and Children and Slow the Economy

A significant number of eligible Pennsylvania families are losing health insurance as a result of cuts to Department of Public Welfare caseworkers.

Carmen Artache, a Philadelphia resident, is eligible for Medical Assistance (MA), a state and federally funded program that provides health coverage to low-income individuals and families. Despite her eligibility for MA benefits, the Department of Public Welfare (DPW) terminated Carmen's health coverage in September, part of a cost-saving effort that required manual review of cases for eligibility. Carmen's was one of 17,000 cases that the Philadelphia County Assistance Office (CAO) had to review within a few weeks. Carmen turned in her renewal paperwork in person and received a receipt. But because the office lacked the staff to process the paperwork quickly enough, Carmen received a letter notifying her that she would lose coverage. Carmen's appeal now takes time away from her family and her work.

Tracey Clark is a nurse in Pittsburgh. Her 5-year-old son, Alexander, is in treatment for leukemia. Alexander receives benefits from his mother's employer-based health plan but, as a child with a life-threatening illness, he is also eligible for supplemental insurance through Medical Assistance. Early this year, Tracey called the local office to ensure she would receive her paperwork. When it arrived, she filled it out promptly and mailed it back. In June, she called the office again and was told Alexander's paperwork was missing. Tracey filled out and sent the renewal packet again. In August, she received a termination letter stating that Alexander's paperwork was not on file.

Across the state, individuals are being unjustly stripped of their health care. In the 16 months prior to July 2011, the average number of MA cases closed each month due to ineligibility or a "failure to furnish required information" was 16,971. In July, however, this number shot up to 33,453. This nearly doubled rate of termination reflects an underfunded and understaffed DPW. This year's budget cut an additional \$56 million from DPW operations. Today, there are 13% fewer DPW employees than in 2002, but caseloads have nearly doubled — to 492 Food Stamp and Medicaid cases per caseworker. Welfare workers are doing the best that they can but are completely overwhelmed.

Since the federal government pays for more than half of the Medical Assistance program, each dollar in reduced state spending means \$2.18 less injected into the state's economy—and much more than that once you take into account the ripple effects of that economic activity. This approach is penny wise but pound foolish.

Source: News stories in *The Philadelphia Inquirer* (http://articles.philly.com/2011-10-03/news/30238694_1_welfare-office-welfare-recipients-food-stamps) and *The Pittsburgh Post-Gazette* (<http://www.post-gazette.com/pg/11303/1185891-454-0.stm>).

Diminishing Pennsylvania Advantage

Early in the recovery, healthy job growth placed Pennsylvania among the top 10 states measured by the increase in the number of jobs and by the percentage increase in jobs (Table 2). Recent job losses have substantially diminished Pennsylvania’s job growth ranking. In the last 12 months, Pennsylvania’s job growth rank among the 50 states slipped to 9th measured by the change in jobs and 32nd measured by the percentage change in jobs. Pennsylvania’s performance in the last five months was particularly bad, with the state ranking 47th based on the change in the number of jobs and 43rd by percentage change.

Slow job growth translated into rising unemployment. Since May, the U.S. unemployment rate has remained at 9.1%. Therefore, the “Pennsylvania Advantage,” defined as how much lower the state’s unemployment rate is than the U.S. rate, has fallen roughly in half (from 1.7% percentage points to 0.8 of a percentage point). The unemployment rate in Pennsylvania remains half a percentage point shy of its April 2010 peak of 8.8%.

Table 2.

Sept 2009 to Sept 2010, Seasonally Adjusted						
State	Employment (1000s)		Change	Rank of Change	Percent Change	Rank of Percent Change
	Sep-09	Sep-10				
West Virginia	739	747	7,800	17	1.1%	4
Pennsylvania	5,575	5,621	45,900	3	0.8%	7
Delaware	412	416	3,200	21	0.8%	8
New York	8,502	8,554	51,800	2	0.6%	14
Maryland	2,507	2,516	9,200	16	0.4%	21
Ohio	5,017	5,030	13,400	11	0.3%	24
New Jersey	3,870	3,842	-27,500	49	-0.7%	46
Sept 2010 to Sept 2011, Seasonally Adjusted						
State	Employment (1000s)		Change	Rank of Change	Percent Change	Rank of Percent Change
	Sep-10	Sep-11				
Ohio	5,030	5,097	66,800	5	1.3%	19
New York	8,554	8,652	98,100	3	1.1%	25
Pennsylvania	5,621	5,669	48,300	9	0.9%	32
West Virginia	747	751	3,900	42	0.5%	39
Maryland	2,516	2,528	12,300	26	0.5%	40
New Jersey	3,842	3,860	17,700	24	0.5%	41
Delaware	416	410	-6,100	49	-1.5%	50

Table 2. (continued)

State	April 2010 to Sept 2011, Seasonally Adjusted					
	Employment (1000s)		Change	Rank of Change	Percent Change	Rank of Percent Change
	Apr-11	Sep-11				
Maryland	2,520	2,528	8,800	12	0.3%	15
New York	8,637	8,652	14,500	8	0.2%	23
Ohio	5,092	5,097	4,900	17	0.1%	25
New Jersey	3,859	3,860	700	29	0.0%	30
West Virginia	754	751	-2,500	36	-0.3%	39
Pennsylvania	5,693	5,669	-24,000	47	-0.4%	43
Delaware	416	410	-6,500	41	-1.6%	50

Source. Keystone Research Center analysis of Current Employment Statistics

Putting Pennsylvanians Back to Work Is the Top Priority

Pennsylvania needs a jobs policy that will strengthen the private and public sectors. There is no shortage of practical ideas for how to create jobs. Options include:

- Spending more of the state’s revenue surplus;
- Enacting a natural gas drilling tax that supports shared statewide priorities like education as well as the environment and local communities;
- Maximizing the potential for Marcellus Shale development to create jobs for Pennsylvania workers;⁸ and
- Bond-financing infrastructure, school construction and energy efficiency investments at a time when borrowing and construction costs are both low.⁹

What is missing in Harrisburg (as well as Washington, D.C.) is the political will needed to enact effective policies to create jobs. How many more months of failed austerity economics must Pennsylvanians suffer through before we get a needed change in direction?

⁸ See Page 8 of *Drilling Deeper into Job Claims: The Actual Contribution of Marcellus Shale to Pennsylvania Job Growth* available online <http://goo.gl/udZLW>

⁹ See Page 2 of *Principles for a Better Budget* available online at <http://goo.gl/qaqRc>

Appendix A: Job Growth by Metropolitan Area

Table 3.

Job Growth by Sector by Metropolitan Area (12-month moving average of not seasonally adjusted data)

	2010-9	2011-9	Change	Percent Change
Pennsylvania				
Total Private	4,843,875	4,922,017	78,142	1.6%
Government	758,833	744,467	-14,367	-1.9%
Federal	109,633	102,942	-6,692	-6.1%
State	159,125	155,692	-3,433	-2.2%
Local	490,075	485,833	-4,242	-0.9%
Allentown-Bethlehem-Easton, PA-NJ				
Total Private	289,725	293,442	3,717	1.3%
Government	43,042	41,242	-1,800	-4.2%
Federal	2,700	2,333	-367	-13.6%
State	3,208	2,917	-292	-9.1%
Local	37,133	35,992	-1,142	-3.1%
Altoona, PA				
Total Private	51,308	52,317	1,008	2.0%
Government	8,683	8,408	-275	-3.2%
Federal	1,083	1,000	-83	-7.7%
State	2,417	2,317	-100	-4.1%
Local	5,183	5,092	-92	-1.8%
Erie, PA				
Total Private	109,325	111,650	2,325	2.1%
Government	17,008	16,900	-108	-0.6%
Federal	1,700	1,550	-150	-8.8%
State	4,492	4,383	-108	-2.4%
Local	10,817	10,967	150	1.4%
Harrisburg-Carlisle, PA				
Total Private	257,475	257,783	308	0.1%
Government	61,658	60,817	-842	-1.4%
Federal	7,950	7,733	-217	-2.7%
State	31,617	31,575	-42	-0.1%
Local	22,092	21,508	-583	-2.6%
Johnstown, PA				
Total Private	50,317	51,608	1,292	2.6%
Government	9,325	9,167	-158	-1.7%
Federal	1,375	1,233	-142	-10.3%
State	2,242	2,233	-8	-0.4%
Local	5,708	5,700	-8	-0.1%

Table 3 (cont).

Job Growth by Sector by Metropolitan Area (12-month moving average of not seasonally adjusted data)

	2010-9	2011-9	Change	Percent Change
Lancaster, PA				
Total Private	205,433	205,442	8	0.0%
Government	21,292	21,158	-133	-0.6%
Federal	1,542	1,325	-217	-14.1%
State	2,917	2,717	-200	-6.9%
Local	16,833	17,117	283	1.7%
Lebanon, PA				
Total Private	40,992	42,392	1,400	3.4%
Government	8,183	8,150	-33	-0.4%
Federal	2,600	2,575	-25	-1.0%
State	683	683	0	0.0%
Local	4,900	4,892	-8	-0.2%
Philadelphia City, PA				
Total Private	548,433	555,025	6,592	1.2%
Government	106,325	104,358	-1,967	-1.8%
Federal	33,217	31,742	-1,475	-4.4%
State	11,117	11,125	8	0.1%
Local	61,992	61,492	-500	-0.8%
Philadelphia, PA Metropolitan Division				
Total Private	1,638,833	1,651,875	13,042	0.8%
Government	219,550	214,400	-5,150	-2.3%
Federal	43,425	40,892	-2,533	-5.8%
State	23,058	22,808	-250	-1.1%
Local	153,067	150,700	-2,367	-1.5%
Pittsburgh, PA				
Total Private	992,025	1,008,975	16,950	1.7%
Government	128,233	126,533	-1,700	-1.3%
Federal	19,392	18,617	-775	-4.0%
State	15,642	14,867	-775	-5.0%
Local	93,200	93,050	-150	-0.2%
Reading, PA				
Total Private	142,683	144,992	2,308	1.6%
Government	23,375	23,258	-117	-0.5%
Federal	1,217	1,100	-117	-9.6%
State	4,292	4,242	-50	-1.2%
Local	17,867	17,917	50	0.3%

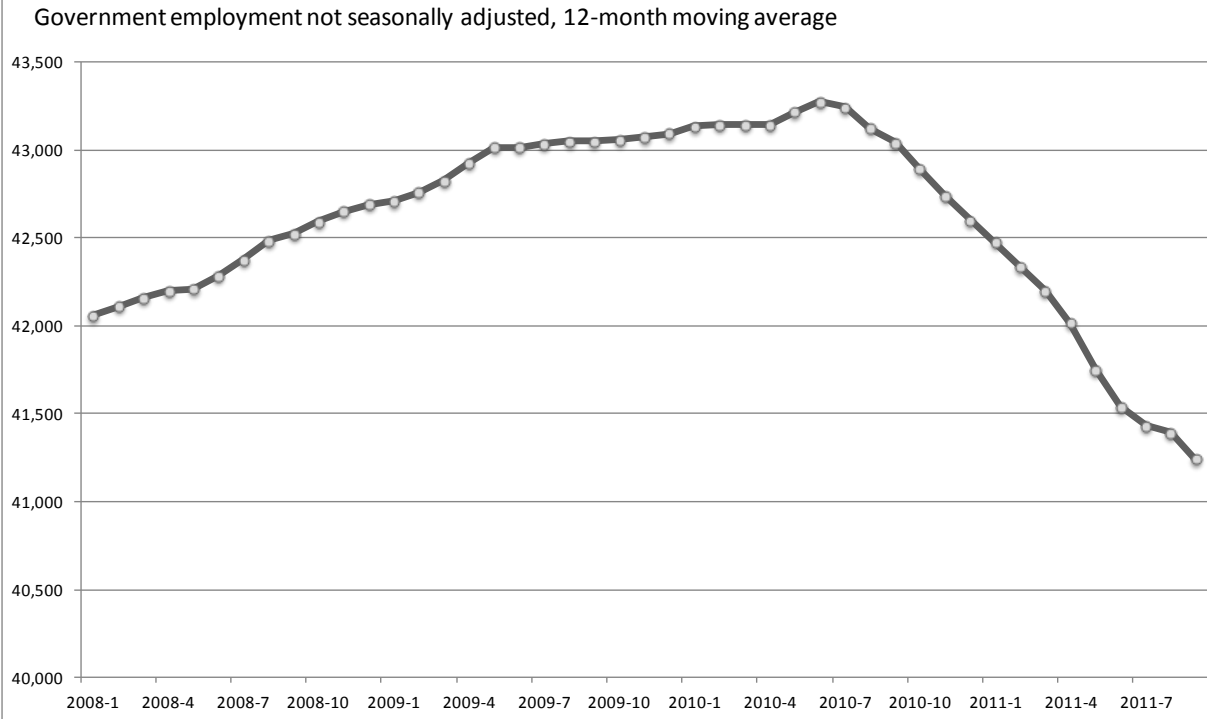
Table 3 (cont).

Job Growth by Sector by Metropolitan Area (12-month moving average of not seasonally adjusted data)

	2010-9	2011-9	Change	Percent Change
Scranton--Wilkes-Barre, PA				
Total Private	220,058	222,808	2,750	1.2%
Government	31,817	31,067	-750	-2.4%
Federal	4,792	4,283	-508	-10.6%
State	6,475	6,317	-158	-2.4%
Local	20,550	20,467	-83	-0.4%
State College, PA				
Total Private	43,500	43,967	467	1.1%
Government	30,800	30,350	-450	-1.5%
Federal	558	408	-150	-26.9%
State	25,275	25,067	-208	-0.8%
Local	4,967	4,875	-92	-1.8%
Williamsport, PA				
Total Private	44,067	44,567	500	1.1%
Government	8,017	7,958	-58	-0.7%
Federal	558	408	-150	-26.9%
State	3,075	3,150	75	2.4%
Local	4,383	4,400	17	0.4%
York-Hanover, PA				
Total Private	151,625	154,742	3,117	2.1%
Government	21,775	21,525	-250	-1.1%
Federal	4,808	4,575	-233	-4.9%
State	1,058	1,033	-25	-2.4%
Local	15,908	15,917	8	0.1%

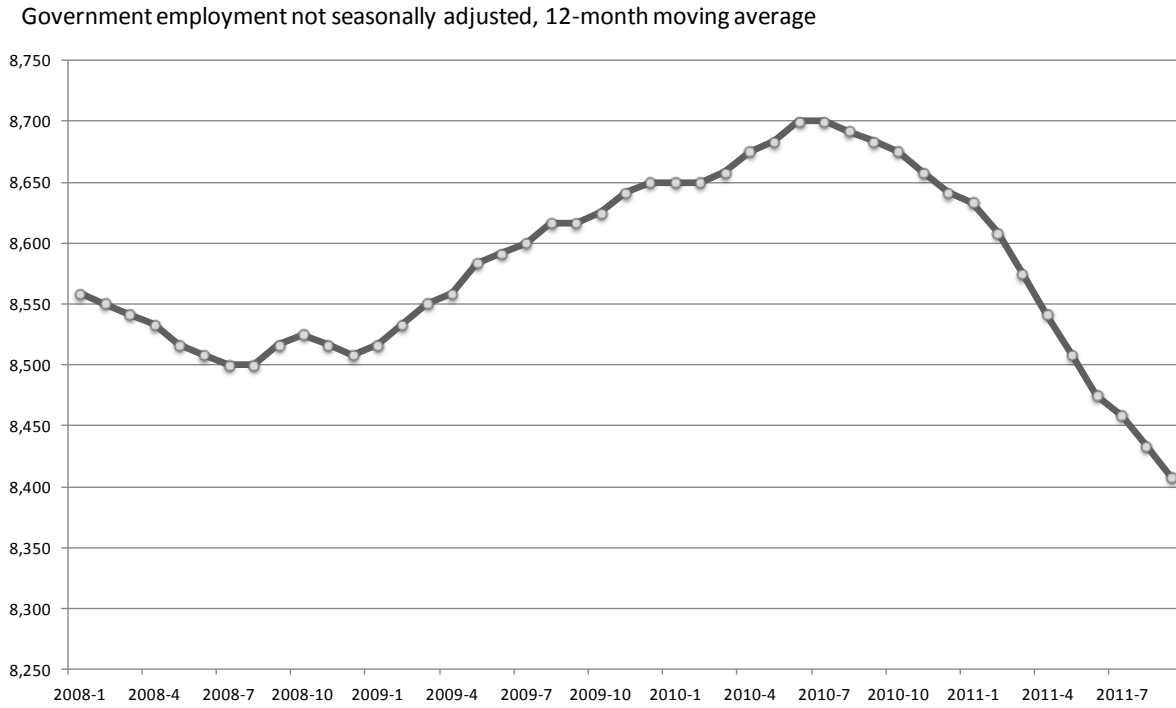
Source. Keystone Research Center based on Current Employment Statistics data

Figure 5. In the Last Year the Public Sector in the Allentown-Bethlehem-Easton Metropolitan Area Has Lost 1,800 Jobs.



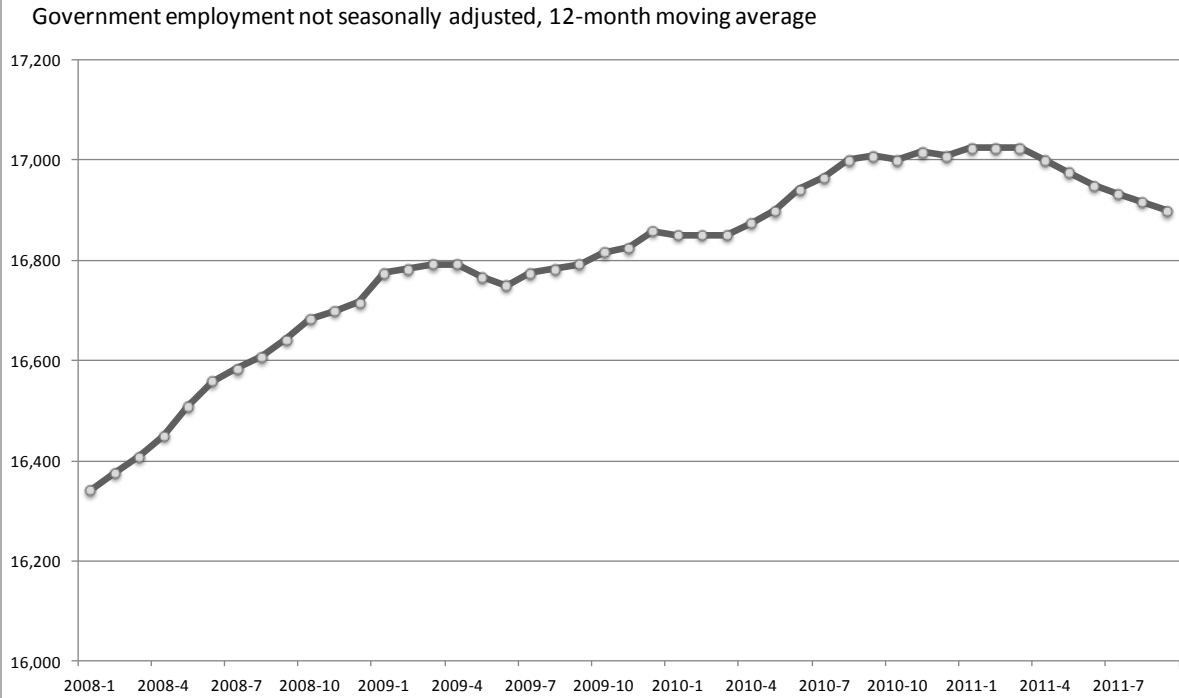
Source. Keystone Research Center based on Current Employment Statistics data

Figure 6. In the Last Year the Public Sector in the Altoona Metropolitan Area Has Lost 275 Jobs.



Source. Keystone Research Center based on Current Employment Statistics data

**Figure 7. In the Last Year the Public Sector in the Erie Metropolitan Area
Has Lost 108 Jobs.**



Source: Keystone Research Center based on Current Employment Statistics data

Figure 8. In the Last Year the Public Sector in the Harrisburg-Carlisle Metropolitan Area Has Lost 842 Jobs.

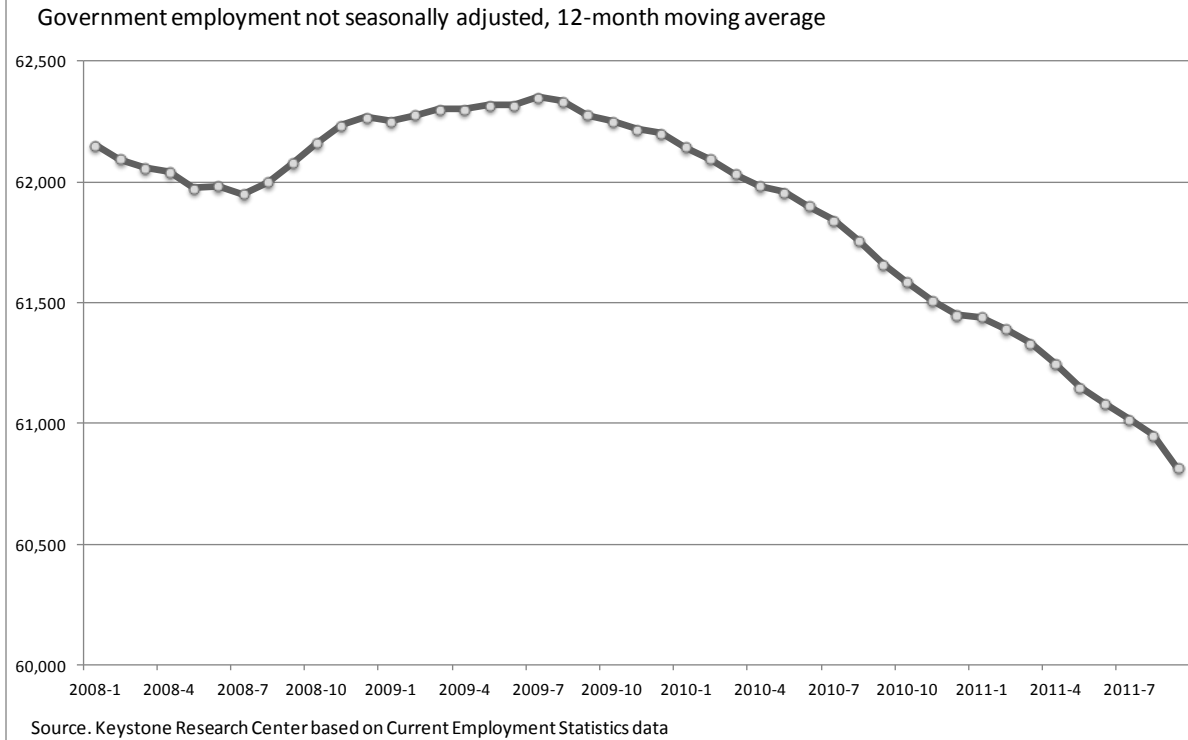
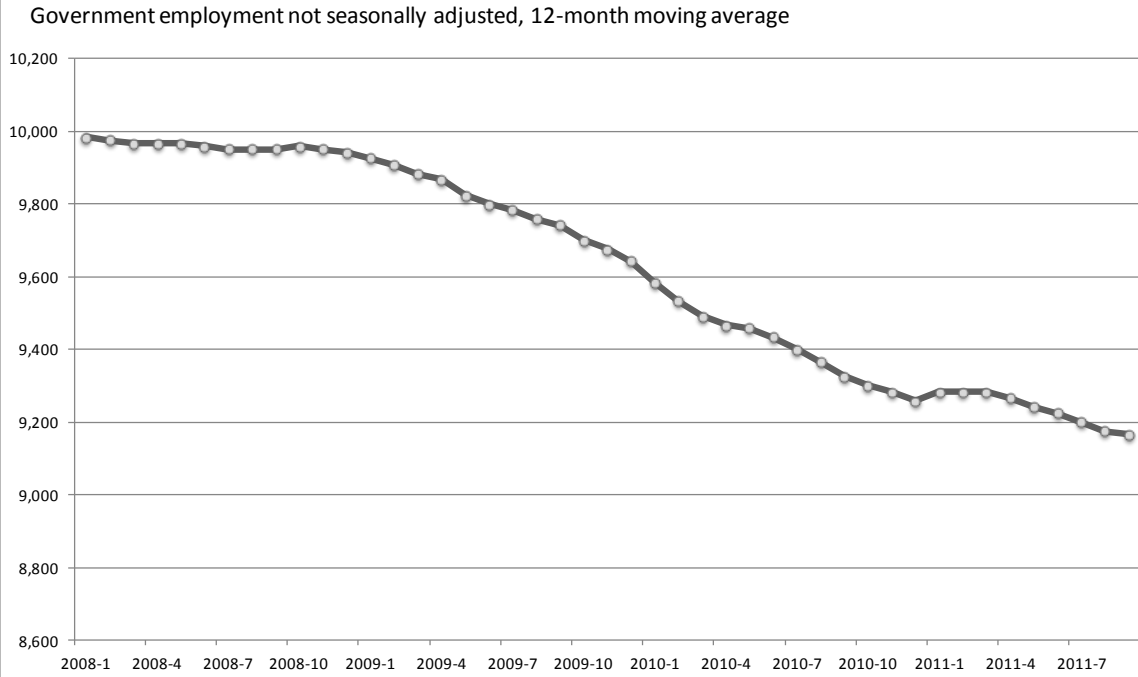
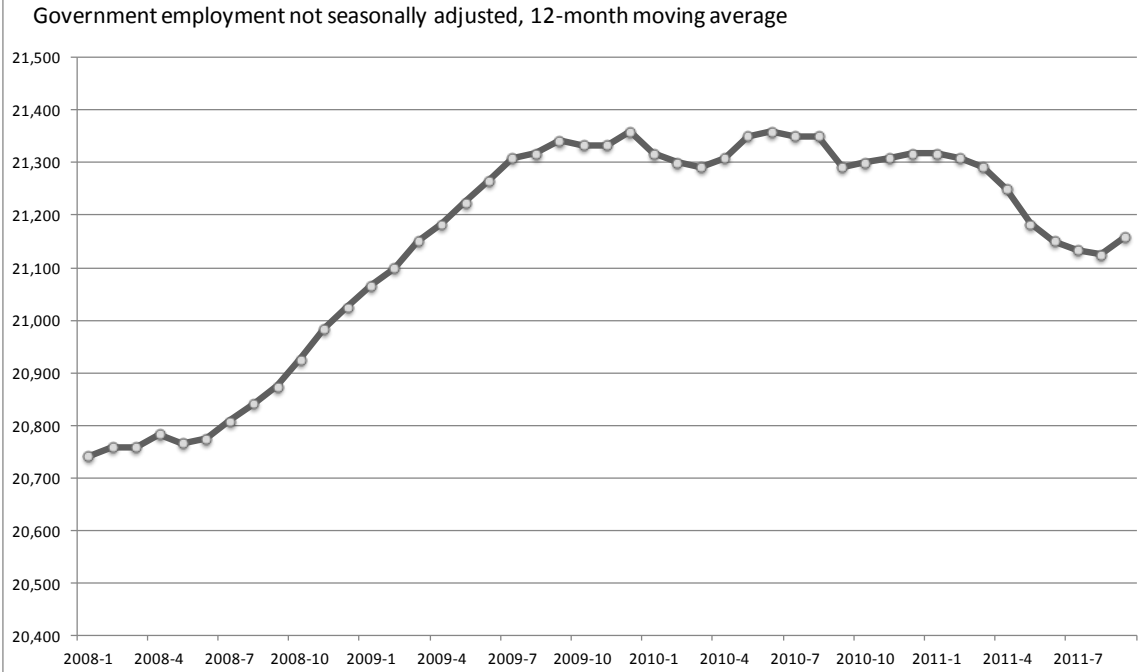


Figure 9. In the Last Year the Public Sector in the Johnstown Metropolitan Area Has Lost 158 Jobs.



Source: Keystone Research Center based on Current Employment Statistics data

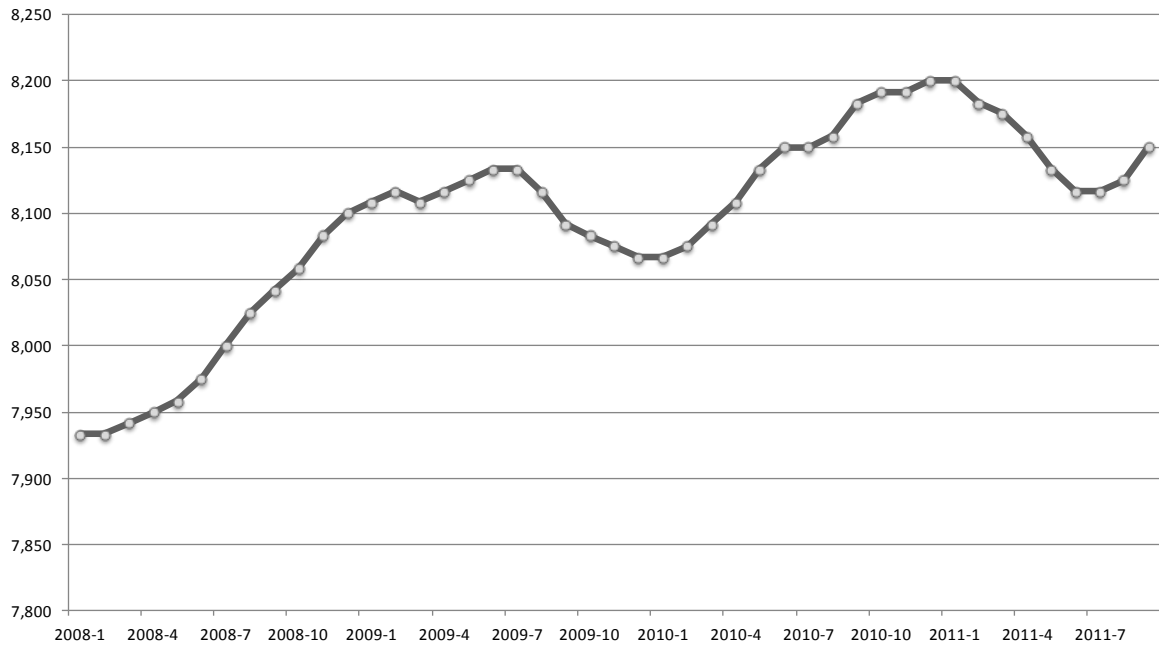
Figure 10. In the Last Year the Public Sector in the Lancaster Metropolitan Area Has Lost 133 Jobs.



Source. Keystone Research Center based on Current Employment Statistics data

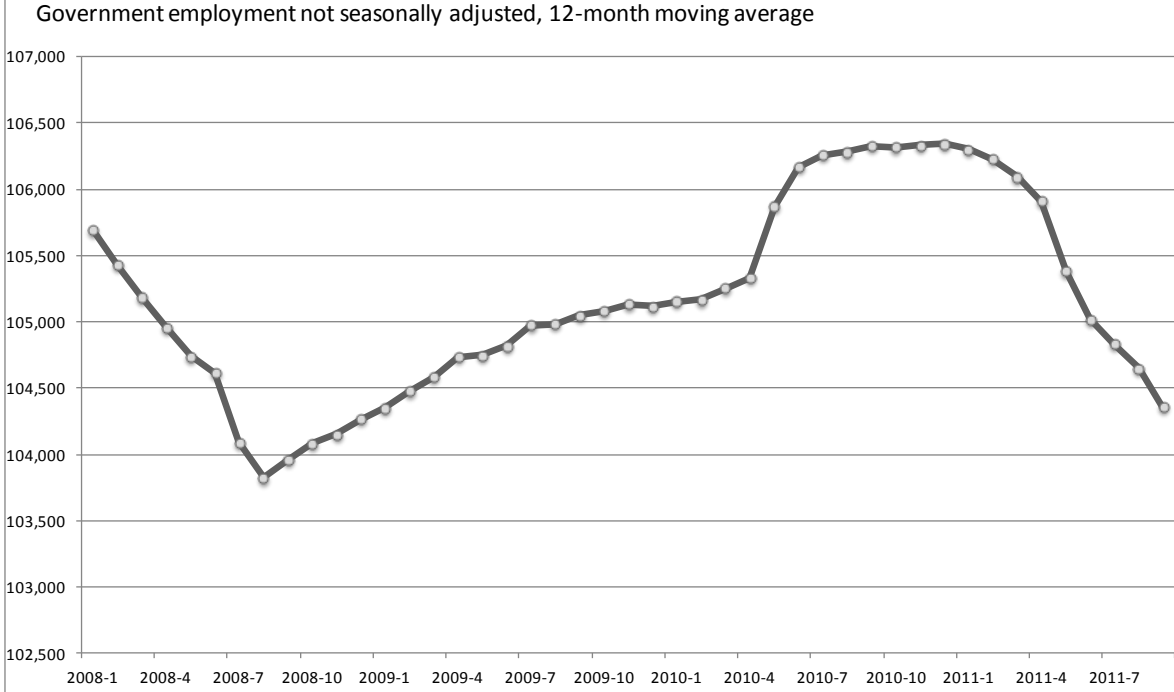
Figure 11. In the Last Year the Public Sector in the Lebanon County Has Lost 33 Jobs.

Government employment not seasonally adjusted, 12-month moving average



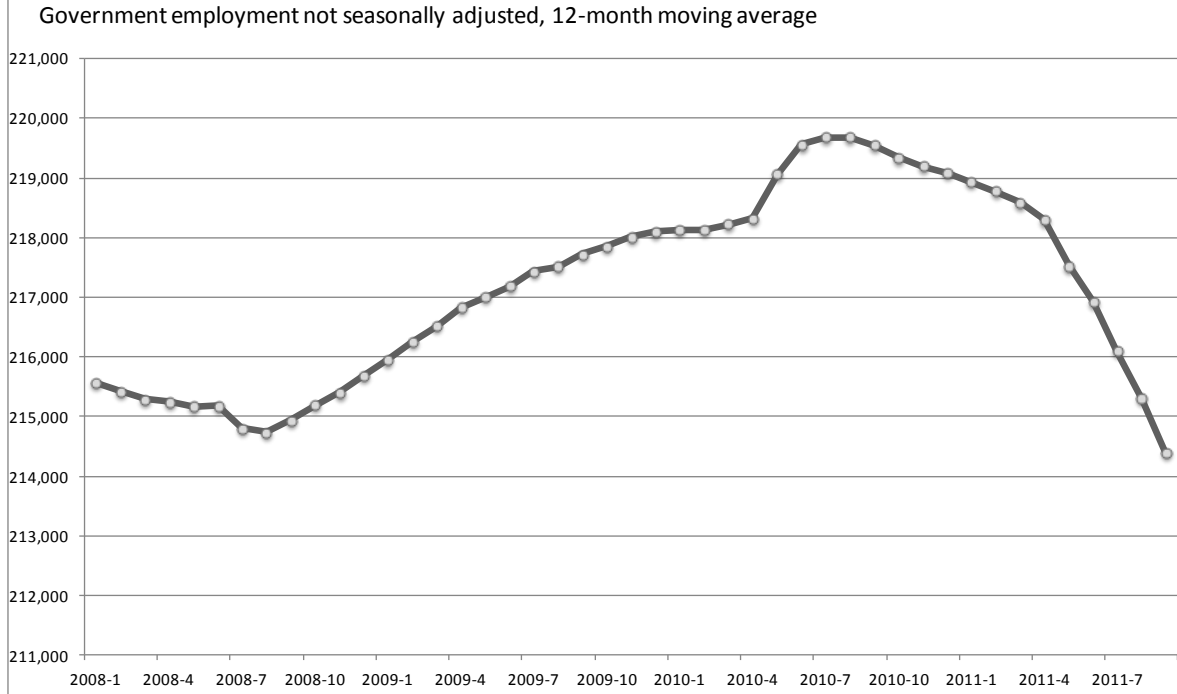
Source. Keystone Research Center based on Current Employment Statistics data

Figure 12. In the Last Year the Public Sector in the The City of Philadelphia Has Lost 1,967 Jobs.



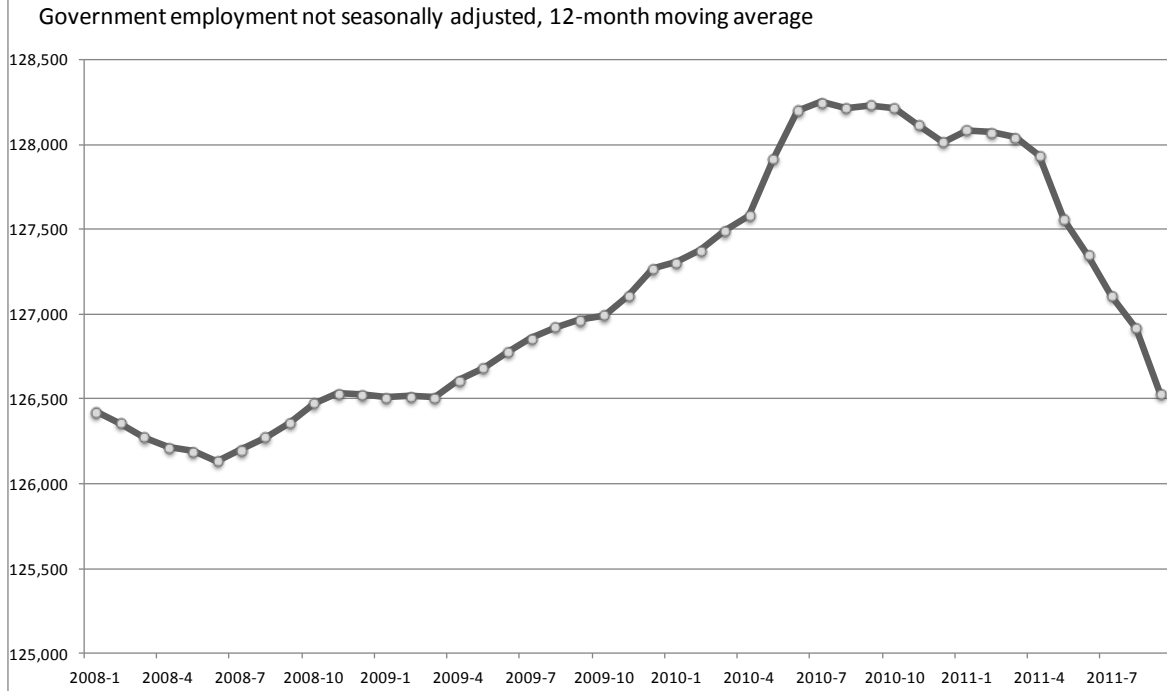
Source. Keystone Research Center based on Current Employment Statistics data

Figure 13. In the Last Year the Public Sector in the Philadelphia Metropolitan Division Has Lost 5,150 Jobs.



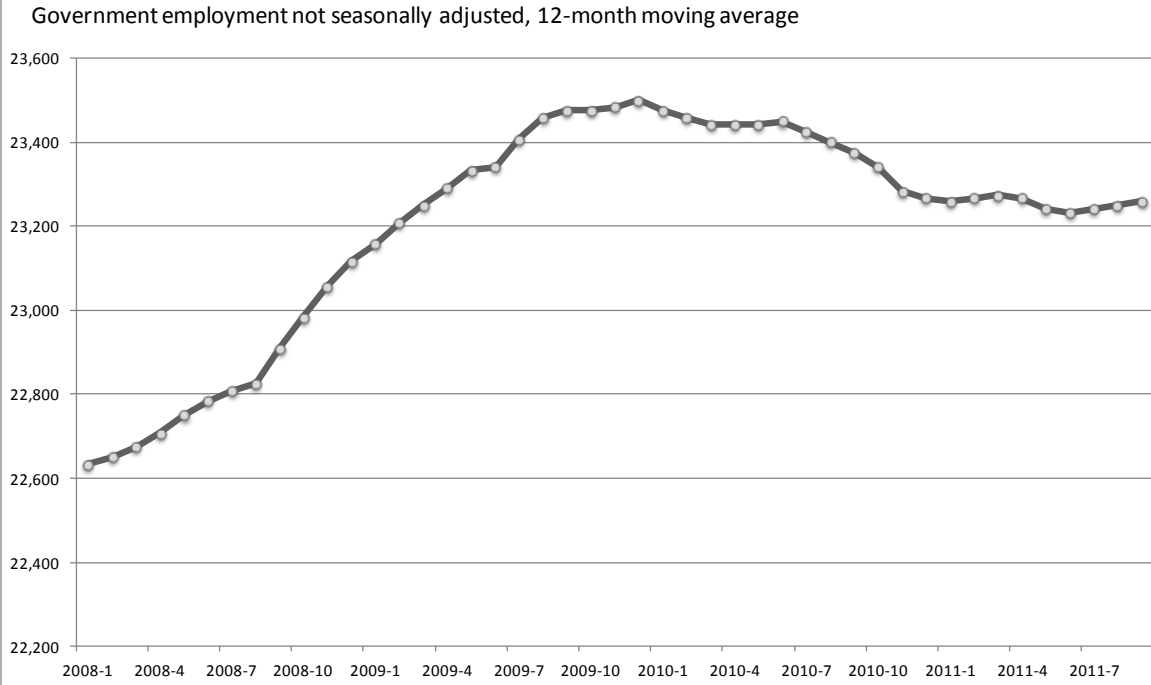
Source. Keystone Research Center based on Current Employment Statistics data

Figure 14. In the Last Year the Public Sector in the Pittsburgh Metropolitan Area Has Lost 1,700 Jobs.



Source. Keystone Research Center based on Current Employment Statistics data

Figure 15. In the Last Year the Public Sector in the Reading Metropolitan Area Has Lost 117 Jobs.



Source. Keystone Research Center based on Current Employment Statistics data

Figure 16. In the Last Year the Public Sector in the Scranton--Wilkes-Barre Metropolitan Area Has Lost 750 Jobs.

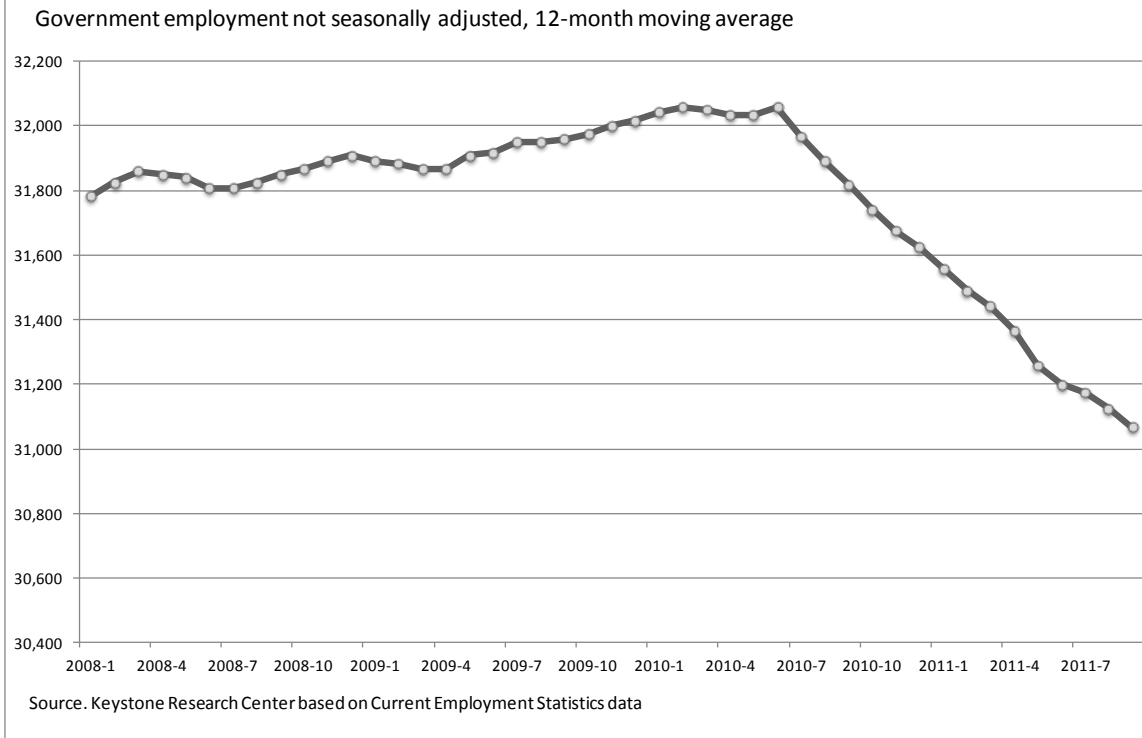


Figure 17. In the Last Year the Public Sector in the State College Metropolitan Area Has Lost 450 Jobs.

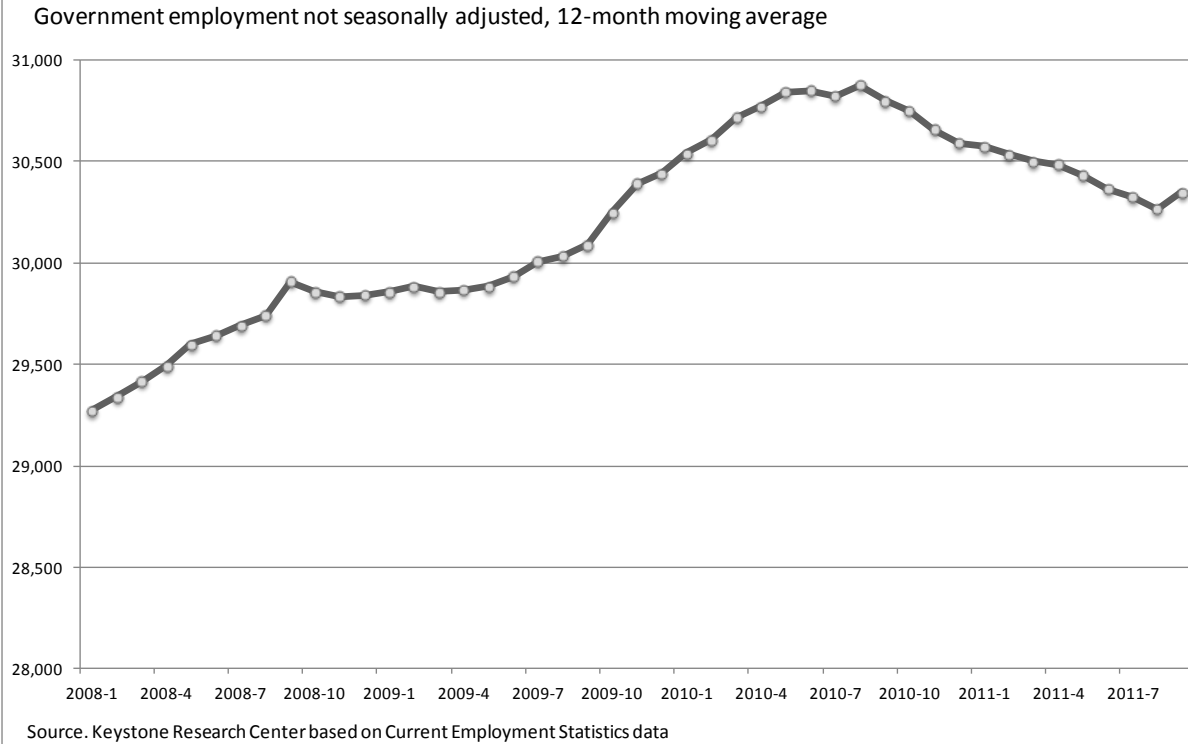
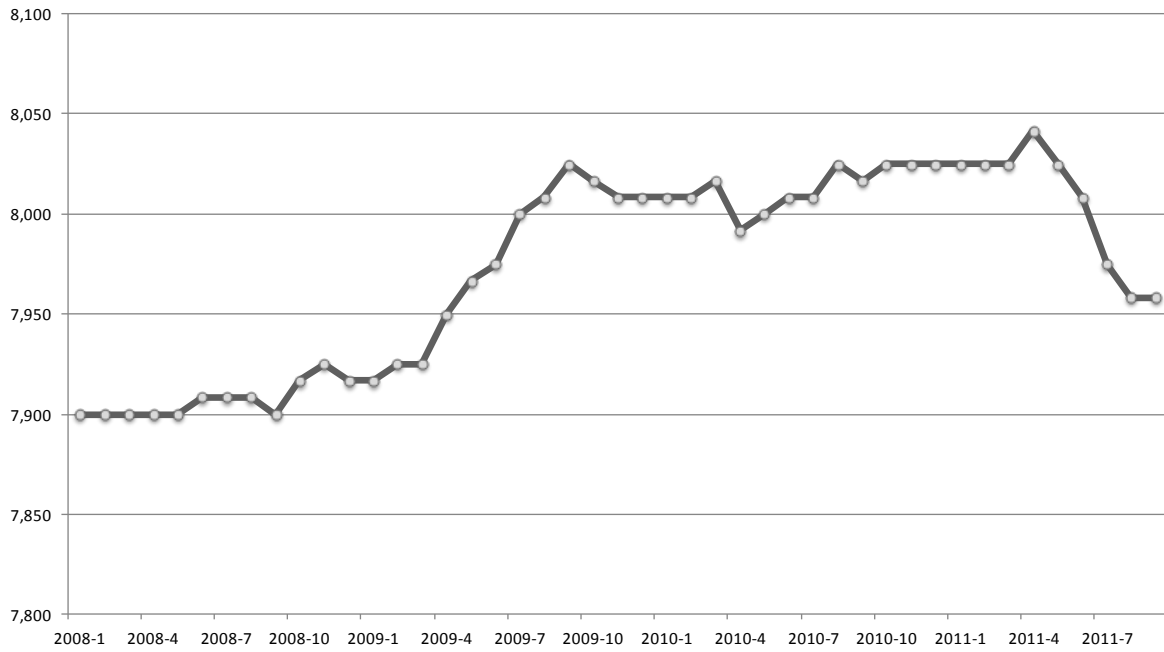


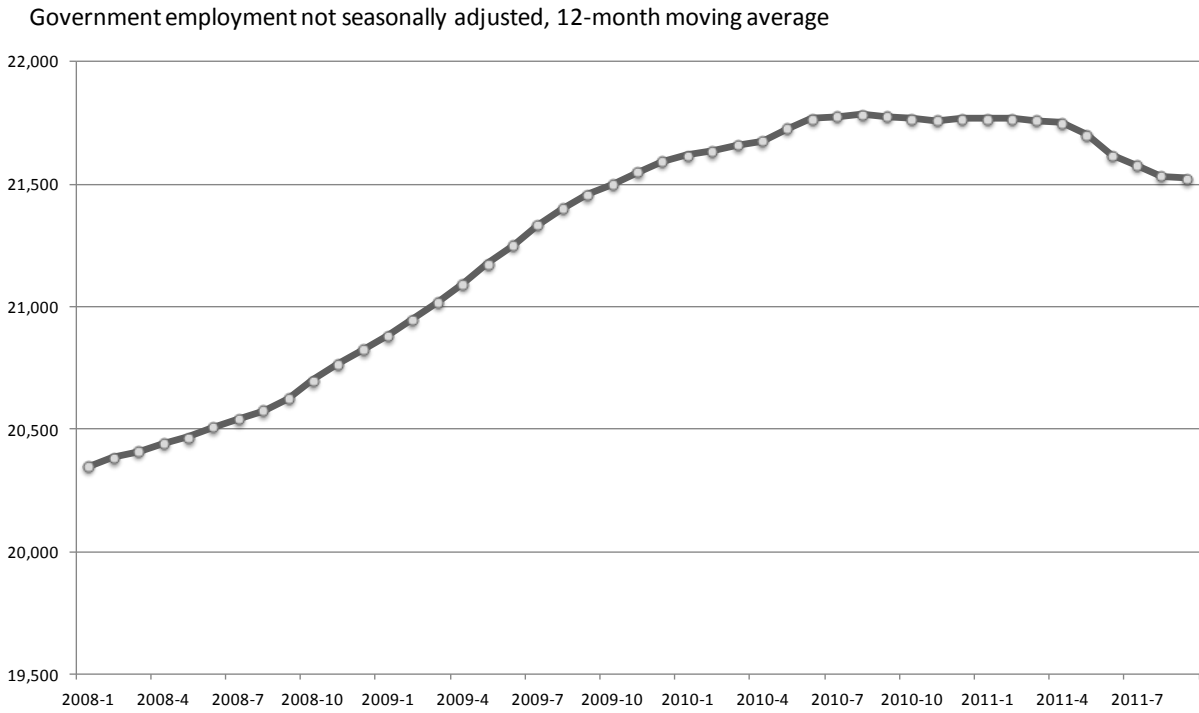
Figure 18. In the Last Year the Public Sector in the Williamsport Metropolitan Area Has Lost 58 Jobs.

Government employment not seasonally adjusted, 12-month moving average



Source: Keystone Research Center based on Current Employment Statistics data

Figure 19. In the Last Year the Public Sector in the York-Hanover Metropolitan Has Lost 250 Jobs.



Source: Keystone Research Center based on Current Employment Statistics data