



How Fares the Pennsylvania Economy?

Two recent surveys suggest the business community remains guarded about economic conditions. The PNC Bank survey of small businesses found that almost 9 in 10 Pennsylvania firms have no plans to hire employees in the coming six months, primarily as a result of uncertainty over sales.

Meanwhile, the Lincoln Institute for Public Opinion Research, Inc. has just released the results of its fall business survey that finds Pennsylvania businesses not terribly happy with business conditions in the Commonwealth and decidedly unhappy with government, national and state.

For example, when asked to rate conditions currently as compared to six months ago, 31 percent responded that conditions have worsened while only 14 percent said they were better than six months earlier. Further, when asked about expectations regarding conditions six months ahead, 30 percent believe things will get worse compared to 15 percent who think they will improve.

These judgments do not necessarily tell us the degree of how much better or worse the respondents are thinking, but the two to one majority saying conditions will be worse rather than better is a fairly robust indication of the mindset of the 300 or so respondents taking the survey.

As far as hiring is concerned, 27 percent said employment was lower than six months before while 18 percent noted that their employment had risen. Looking ahead, about the same number are planning to add employees (15.6 percent is about the same as the percentage planning lower employment levels (16.2 percent)). Again we cannot tell from this whether the group will, as a whole, end up with more employees or fewer but the responses tell us that on balance there is a definite lack of confidence in the survey respondents taken as a whole.

Health care cost concerns were very much on the minds of survey takers. Seventy eight percent of respondents believe the Affordable Care Act (ACA) will cause the cost of their employee health care to rise. Only 3 percent think health care costs will fall. Moreover, 45 percent of respondents have already taken measures to deal with health costs. Twenty

one percent of survey respondents have increased employee co-pay, while 15 percent have raised their prices to offset some of the cost increase. Meanwhile, 15 percent of respondents have reduced staff, 11 percent have reduced employee hours and another 7.4 percent have discontinued offering health care coverage for employees.

Among the Pennsylvania survey takers, there is little question that the ACA has already taken a fairly serious toll on employees' health care availability through their employer.

And a look at recent Pennsylvania job growth adds a measure of confirmation to the concerns of the Lincoln Institute survey takers. Note that from July 2010 to July 2011, private jobs rose by nearly 83,000; from July 2011 to July 2012, they were up over 57,000 and from July 2012 to July 2013 climbed only 36,000. Thus, there has been a marked slowdown in the economy and employment growth over the last year or so compared to the two years prior. We know the state benefited enormously from Marcellus Shale in 2010 and 2011 but that drilling activity has leveled off somewhat recently. That could provide some of the explanation for the slowdown. But the advent of stricter EPA regulations and the ACA have almost certainly added to the obstacles standing in the way of more robust growth in Pennsylvania.

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